

OFFICIAL RECORD OF PROCEEDINGS

Thursday, 16 January 2003

The Council met at half-past Two o'clock

MEMBERS PRESENT:

THE PRESIDENT

THE HONOURABLE MRS RITA FAN HSU LAI-TAI, G.B.S., J.P.

THE HONOURABLE KENNETH TING WOO-SHOU, J.P.

THE HONOURABLE JAMES TIEN PEI-CHUN, G.B.S., J.P.

DR THE HONOURABLE DAVID CHU YU-LIN, J.P.

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE ALBERT HO CHUN-YAN

IR DR THE HONOURABLE RAYMOND HO CHUNG-TAI, J.P.

THE HONOURABLE LEE CHEUK-YAN

THE HONOURABLE MARTIN LEE CHU-MING, S.C., J.P.

THE HONOURABLE ERIC LI KA-CHEUNG, J.P.

DR THE HONOURABLE DAVID LI KWOK-PO, G.B.S., J.P.

THE HONOURABLE FRED LI WAH-MING, J.P.

DR THE HONOURABLE LUI MING-WAH, J.P.

THE HONOURABLE NG LEUNG-SING, J.P.

THE HONOURABLE MARGARET NG

THE HONOURABLE MRS SELINA CHOW LIANG SHUK-YEE, G.B.S., J.P.

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE HUI CHEUNG-CHING, J.P.

THE HONOURABLE CHAN KWOK-KEUNG

THE HONOURABLE BERNARD CHAN, J.P.

THE HONOURABLE CHAN KAM-LAM, J.P.

THE HONOURABLE MRS SOPHIE LEUNG LAU YAU-FUN, S.B.S., J.P.

THE HONOURABLE LEUNG YIU-CHUNG

THE HONOURABLE SIN CHUNG-KAI

THE HONOURABLE ANDREW WONG WANG-FAT, J.P.

DR THE HONOURABLE PHILIP WONG YU-HONG

THE HONOURABLE WONG YUNG-KAN

THE HONOURABLE JASPER TSANG YOK-SING, G.B.S., J.P.

THE HONOURABLE HOWARD YOUNG, J.P.

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE YEUNG YIU-CHUNG, B.B.S.

THE HONOURABLE LAU CHIN-SHEK, J.P.

THE HONOURABLE LAU KONG-WAH

THE HONOURABLE LAU WONG-FAT, G.B.S., J.P.

THE HONOURABLE MIRIAM LAU KIN-YEE, J.P.

THE HONOURABLE AMBROSE LAU HON-CHUEN, G.B.S., J.P.

THE HONOURABLE EMILY LAU WAI-HING, J.P.

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE SZETO WAH

THE HONOURABLE TIMOTHY FOK TSUN-TING, S.B.S., J.P.

DR THE HONOURABLE LAW CHI-KWONG, J.P.

THE HONOURABLE TAM YIU-CHUNG, G.B.S., J.P.

DR THE HONOURABLE TANG SIU-TONG, J.P.

THE HONOURABLE ABRAHAM SHEK LAI-HIM, J.P.

THE HONOURABLE LI FUNG-YING, J.P.

THE HONOURABLE HENRY WU KING-CHEONG, B.B.S., J.P.

THE HONOURABLE TOMMY CHEUNG YU-YAN, J.P.

THE HONOURABLE MICHAEL MAK KWOK-FUNG

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE LEUNG FU-WAH, M.H., J.P.

DR THE HONOURABLE LO WING-LOK

THE HONOURABLE WONG SING-CHI

THE HONOURABLE FREDERICK FUNG KIN-KEE

THE HONOURABLE IP KWOK-HIM, J.P.

THE HONOURABLE LAU PING-CHEUNG

THE HONOURABLE AUDREY EU YUET-MEE, S.C., J.P.

THE HONOURABLE MA FUNG-KWOK, J.P.

MEMBERS ABSENT:

THE HONOURABLE CHAN YUEN-HAN, J.P.

THE HONOURABLE CHOY SO-YUK

PUBLIC OFFICERS ATTENDING:

THE HONOURABLE ANTONY LEUNG KAM-CHUNG, G.B.S., J.P.
THE FINANCIAL SECRETARY

THE HONOURABLE ELSIE LEUNG OI-SIE, G.B.M., J.P.
THE SECRETARY FOR JUSTICE

THE HONOURABLE HENRY TANG YING-YEN, G.B.S., J.P.
SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY

THE HONOURABLE MICHAEL SUEN MING-YEUNG, G.B.S., J.P.
SECRETARY FOR HOUSING, PLANNING AND LANDS

PROF THE HONOURABLE ARTHUR LI KWOK-CHEUNG, G.B.S., J.P.
SECRETARY FOR EDUCATION AND MANPOWER

DR THE HONOURABLE YEOH ENG-KIONG, J.P.
SECRETARY FOR HEALTH, WELFARE AND FOOD

DR THE HONOURABLE PATRICK HO CHI-PING, J.P.
SECRETARY FOR HOME AFFAIRS

THE HONOURABLE STEPHEN IP SHU-KWAN, G.B.S., J.P.
SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR

DR THE HONOURABLE SARAH LIAO SAU-TUNG, J.P.
SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

THE HONOURABLE FREDERICK MA SI-HANG
SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY

CLERKS IN ATTENDANCE:

MR RICKY FUNG CHOI-CHEUNG, J.P., SECRETARY GENERAL

MRS JUSTINA LAM CHENG BO-LING, ASSISTANT SECRETARY
GENERAL

MR RAY CHAN YUM-MOU, ASSISTANT SECRETARY GENERAL

MEMBERS' MOTION**MOTION OF THANKS****Continuation of debate on motion which was moved on 15 January 2003**

PRESIDENT (in Cantonese): Council will now resume. We shall continue with the first session of the debate in which the government officials shall speak. They have a total of 48 minutes of speaking time.

FINANCIAL SECRETARY (in Cantonese): Madam President, the Chief Executive delivered his first policy address in his second term of office last Wednesday. The policy address describes in detail the positioning and directions of the future economic development of Hong Kong. The policy agenda released on the same day, together with the briefings given by the Secretaries of Departments and Directors of Bureaux to the Members and the media, has provided Honourable Members and the public with many concrete measures and details of the future administration of the Government.

During the past week, many people of the community have made comments on how the various measures should be implemented, and most of the comments indicate agreement to the positioning and directions of Hong Kong economy as pointed out by the Chief Executive. Hong Kong people are supportive of the joint effort that we must make to promote our economic restructuring. Apart from improving the business environment, upgrading the quality of manpower, enhancing industries with an existing advantage, such as finance, logistics, tourism and producer services, our pillar industries, we should also pursue diversified development and promote the creative industries and local community economy, and so on.

The people generally agree that Hong Kong should step up its economic co-operation with the Mainland, especially the Pearl River Delta (PRD) Region, and make good use of the overall economic strengths and advantages of the Region to compete in the international markets. The people also realize that our economic integration with the PRD will bring economic benefits to both places. Yesterday, some Members said they worried that the further integration of the PRD and Hong Kong economies would lead to a hollowing-out of the economy of Hong Kong, and eventually our economy would be affected. I feel that this thinking smacks of throwing away the apple because of the core.

Firstly, the economic integration of Hong Kong and the PRD is something which has happened and will continue to happen. During the past two decades or so, the manufacturing industries of Hong Kong have been relocated to the Mainland on a massive scale. Meanwhile, with the hard work of the local people, Hong Kong has successfully restructured into a service-oriented economy. With the further opening up of the Mainland as well as the development of the service industries there, certain low value-added service industries in Hong Kong and spending by Hong Kong people are also moving northwards to the Mainland. Hong Kong does not impose any restriction on the inward and outward movement of capital and people. In addition, with the attractive costs in the Mainland, this trend, like water flowing downstream to a lower point, is inevitable. This is also a natural phenomenon of the globalization of world economy. In order to avoid competing with other areas on a pure cost basis, the only way we can compete is to rely on non-cost factors, such as creativity, quality and speed to cater to the needs of customers. This also explains why the Government has been vigorously promoting the development of high value-added industries.

By speeding up the economic integration of Hong Kong and the PRD, we actually aim at converting such relatively one-way economic activities into a kind of mutual exchange that would be conducive to the common development of both sides. Such a change will bring about two major advantages to Hong Kong.

Firstly, Hong Kong people will gain expedited access to the fast developing market in the Mainland. We hope Hong Kong businessmen and professional can further develop their business opportunities in the PRD. Their success will benefit the support services in Hong Kong such as those high value-added industries like operational headquarters, financial services and accounting services. Meanwhile, the growth of high value-added industries will also bring about job opportunities in the low-skilled industries, such as personal services and community services. Besides, attracting more mainland visitors to Hong Kong and providing them with greater convenience to facilitate their shopping sprees here is an alternative way of tapping the mainland market. On this aspect, we have achieved some success last year. The further economic integration of Hong Kong and the PRD will make Hong Kong like London and New York — effective in attracting people from neighbouring areas to come and spend money here.

The second advantage is that Hong Kong and the PRD will be able to combine their strengths more effectively to create an economic region which is more powerful and competitive, and will be more capable in jointly attracting foreign capital. Therefore, as our cross-boundary transport system becomes better, our boundary clearance more efficient, our capital more mobile, our talents and industries complement each other better, then the whole "Greater PRD" Region will become more attractive to businessmen and tourists of the whole world. And such foreign capital, technology, talents and consumption will bring about tremendous benefits to the economies of Hong Kong and the Mainland.

Therefore, we do not have to be afraid of our further integration with the PRD. On the contrary, we should embrace such a change, help to quicken the pace of the process and grasp the opportunities arising from it. The SAR Government will fully co-operate with the Central Government and the Guangdong Provincial Government in promoting the economic integration between Hong Kong and Guangdong on a higher level, so as to facilitate the economic development of the "Greater PRD" Region.

The Chief Executive has laid down a clear objective in the policy address of reaching an agreement on the main parts of "the Closer Economic Partnership Arrangement with the Mainland" (the Arrangement) by June 2003. The Arrangement will benefit our services sectors in their expansion into the mainland market and development of services. It will also help to promote Hong Kong's traditional industries and emerging industries, facilitate our economic restructuring and create jobs. Meanwhile, it will also help to further intensify trading and investment activities between the two places, and will facilitate the exchanges in talent, capital and skills, and will bring about enormous benefits in complementing the strengths of the two places and in their respective sustainable developments. The negotiations in respect of the Arrangement cover three areas: trade in goods, trade in services and the facilitation of trade investments. On trade in goods, both sides focus on exploring ways of formulating an appropriate set of rules on origin. As for trade in services, the direct exchanges between experts from the corresponding units of the two sides have been gradually initiated on various service industries. As for the facilitation of trade investments, both sides are negotiating on the framework and specific scope of co-operation.

Hong Kong has always been the most liberal economy in the world. The Chief Executive has also stated clearly that we must adopt "big market, small government" as our principle of governance. Therefore, one of the primary tasks of the Government is to improve the business environment. The Government is in the process of setting up a high-level task force to further improve the business environment in Hong Kong. Details will be announced in a few weeks.

Yesterday, many Members put forward a lot of valuable opinions on various subjects related to the promotion of economic development. Later on, the Secretary for Financial Services and the Treasury, the Secretary for Commerce, Industry and Technology and the Secretary for Economic Development and Labour will respond respectively. I shall focus my discussion on the problem of fiscal deficits.

As the Chief Executive said, the problem of fiscal deficits is very serious. It must be thoroughly tackled, so that it will not affect the overall economy of Hong Kong. I am glad that many people say they agree to this, and support the three-pronged approach, namely boosting economic growth, vigorously cutting public expenditure and raising revenue.

However, I also note clearly that there are people in the community who think that we should not adopt any measures to cut public expenditure and raise revenue. Maybe they do agree that the problem of fiscal deficits has to be addressed, but please do not target such measures at them. Some people may think that the problem of fiscal deficits is just the problem of the Government, not everyone's problem.

I fully understand the worries behind such reactions. However, if everyone harbours the same mentality, the problem of fiscal deficits can never be solved. It will be most irresponsible of me, being the Financial Secretary, to not to exert my utmost to solve the problem of fiscal deficits but leave it to the next term of government.

In the Government's operating account, the operating expenditure exceeded the operating revenue substantially by \$32 billion in 1998-99. Since then, the deficit has gone up by the year. However, as there were still substantial fiscal reserves, the Government did not act immediately to cut public

expenditure. Instead, some anti-cycle measures were adopted, in the hope of stimulating the economy for an early recovery.

However, as Hong Kong is an outward-looking economy, financial measures adopted by the Government do not have a significant impact on economic development. The research report on structural deficit released in February last year also pointed out the fact that we should take resolute measures to solve the problem as our deficit is structural in nature.

We have said that the main way of tackling the fiscal deficits is to revitalize our economy. We believe that, under the economic blueprint outlined by the Chief Executive, together with the concerted effort of Hong Kong people, the medium-to-long term performance of the economy of Hong Kong affords optimism. With economic growth, our public revenue will rise as well. However, as the deficits are too substantial — the operating deficit alone accounted for 3.7% of our GDP and the figure is expected to increase this year — we must at the same time take some effective measures to raise revenue and cut public expenditure. The Government is not acting too hastily in scheduling to achieve a budgetary balance by the year 2006-07, because by then our consolidated account will have been in the red for six consecutive years, whereas our operating account will have shown deficits for eight consecutive years.

I fully understand that any measures, be they for raising revenue or for cutting public expenditure, can never be painless, and certain groups of people will somehow be affected. Therefore, in tackling the problem of fiscal deficits, the onus should be shared by the entire community. Everyone should make his contribution in his own position for the common goal.

The Government has made a clear commitment to vigorously cutting public expenditure. We have set down a medium range target of adjusting the ceiling of the operating expenditure for the year 2006-07 downward by \$20 billion. In order to achieve this target, we shall start implementing concrete measures in the next financial year, that is three months later, to suspend the recruitment of civil servants, to implement the second round of the voluntary retirement scheme, and so on, in order to further reduce the size of the establishment. We hope that at the same time of cutting public expenditure, we can, by reviewing the priorities of our services and streamlining our framework and procedures, ensure that essential services will not be affected and we can

serve the public by more effective utilization of resources. In fact, my civil service colleagues have shown great support for the Enhanced Productivity Programme during the past few years by working very hard to maintain the quality of service. I am very glad to see that our colleagues are making positive responses to our objective of achieving further savings. They will not let the people down.

I note that many people from the business sector have indicated that they are willing to pay slightly more in profits tax, so as to play their part in facing and solving the problem of fiscal deficits. As for the general public, I hope that they can understand that the Government may have to increase the fees for individual services or cut certain non-essential services in order to reserve resources for some other priority purposes. As I said earlier, the Government would adhere to the spirit of sharing the common commitment when implementing the whole package of measures to raise revenue and cut public expenditure.

I would like to reiterate that the Government will endeavour to maintain the advantage of Hong Kong in having a simple tax regime and low tax rates. In fact, of the 6.7 million population, only 1.2 million of them are taxpayers among whom only about 13 000 are required to pay tax at the standard tax rate, that is 15%. Even if the present tax rate is raised slightly, it is still one of the places with the lowest tax rate in the world.

With such a low tax rate, the people of Hong Kong are still able to enjoy such excellent government services as education mostly subsidized by the Government, quality public medical services, large quantities of public housing, and various kinds of social welfare. Even if certain taxpayers have not made use of such direct services, they still benefit from the way of life and business environment which we have made great efforts to maintain, such as the good law and order, rule of law, sound infrastructural and transport networks, and advanced water supply and sewage facilities. The freedoms and rights, which the Hong Kong people have taken for granted, including the protection of our personal safety and properties, as well as the high degree of social mobility which enables the people to improve their personal and family life through their personal effort and wisdom, have to be maintained by the Government through its positive efforts. Such government services have to be financed by tax revenue. Of course, for those who pay more tax may feel unhappy. I understand their frustrations. To a certain extent, it is because the Government

has not done its duties properly in cutting public expenditure. We should redouble our efforts in this regard. However, I also hope that they can understand that "those who have the means pay more" is the basic principle of taxation adopted by nearly all the governments in the world. Only in this way can the Government have the resources to help people who are worse-off.

The Government still has not decided on the measures for raising revenue in the year ahead. We shall listen to views from all parties in the next few weeks and hopefully we can present a Budget that can balance the interests of all parties concerned and pragmatically restore balance in the finance of the Government.

Madam President, under an economic downturn and critical fiscal deficits, it is a crucial time testing the courage and commitment of Hong Kong people, including the public officers. The Chief Executive has clearly pointed out the road we should take, and I shall present specific financial measures on 5 March. The Budget will eventually be presented to the Legislative Council for endorsement. I hope to work hard with Members to revitalize our economy and solve the problem of fiscal deficits.

Thank you.

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, first of all, I wish to thank Members for offering the Government so many valuable suggestions on the development of the financial industries as outlined in the policy address.

The financial industries are one of the pillars of our economy. Our policy objective is to consolidate and enhance the status of Hong Kong as a world financial centre and the premier capital formation centre of China.

Hong Kong possesses a very huge advantage in respect of the development of the financial industries. To begin with, Hong Kong possesses an excellent geographical setting and its time zone location is unique. It is at the heart of Asia and the Motherland is right at its back to provide support. It is also closely linked to overseas financial markets, being able to deal round the clock in markets all over the world. In addition, the independent judicial system of Hong Kong is reliable, and its sound financial system is also marked by high

efficiency and an appropriate degree of market supervision. Hong Kong also possesses many outstanding talents in business operation, management and professional financial services. These talents can adapt to changes quickly, and they can draw the best from both Western and Eastern commercial experience and wisdom. The combination of all these advantages has made Hong Kong unrivalled in the rest of the region.

Although we possess all these advantages and we are ahead of others, we must never fall victim to complacency when faced with the keen competition in global financial markets and the challenges posed by other places. That is why we must further enhance the competitiveness and appeal of our markets and seek to perfect our standard of supervision and enhance corporate governance, so as to upgrade the quality of our financial markets.

Recently, some incidents in connection with corporate governance occurring in other parts of the world have induced international supervisory bodies to review corporate governance and enhance supervision. Hong Kong has made lots of efforts in this respect. To further enhance corporate governance, I have set down policy objectives on upgrading corporate governance, and also brought together the Government, the Securities and Futures Commission (SFC) and the Hong Kong Exchange and Clearing Limited (HKEx) in a bid to draw up an action plan on improving corporate governance. Five priority tasks have been set down for 2003, covering the improvement of the Listing Rules and listing function, increased intermediary supervision for initial public offer, the effective implementation of the Securities and Futures Ordinance, the completion of the Phase II Corporate Governance Review conducted by the Standing Committee on Company Law Reform (Standing Committee) and the early implementation of the recommendations made by the Standing Committee in its Phase I review.

With sound corporate governance, the quality of the markets will necessarily improve and attract both international and local investors. Hong Kong is the premier capital formation centre of China, and it is set to become the main bridge for the capital flow of our country. This is an opportunity hard to come by.

Actually, many mainland companies have come here for listing in recent years. In 2002, of all the listed companies in Hong Kong, 146 were mainland

companies. Last year, the Bank of China and the China Telecom also became listed companies in Hong Kong. These are examples familiar to us.

For reasons of enhancing the stability of the banking system, the Government supports the setting up of a positive individual credit databank as soon as possible, so that banks can share the positive individual credit data of their customers to enhance risks management.

Naturally, we must at the same time ensure adequate protection for personal data and privacy. The Privacy Commissioner for Personal Data is now collating the opinions collected during the public consultation exercise. The Hong Kong Monetary Authority, the banking sector, credit reference agencies and the Consumer Council will keep in close touch on this. It is expected that once the Privacy Commissioner for Personal Data completes his collation of opinions early this year, and if the outcome supports the setting up of such a databank, it can hopefully be set up in the first half of this year.

Another policy focus is market development. To develop the bonds market, we will encourage more public-sector and private-sector organizations, such as the Airport Authority, the Kowloon-Canton Railway Corporation and the MTR Corporation Limited to issue bonds in Hong Kong. To facilitate market operation, we will continue to abolish unnecessary regulations and restrictions by amending the relevant requirements in the Companies Ordinance on prospectuses. The amendments will simplify the relevant requirements, so as to facilitate the issue of new debt instruments. Our objective is to submit the relevant legislative amendments to the Legislative Council in 2003. Besides, we will also enhance investor education to make them better aware of the risks, their rights and interests and their own protection in the course of financial transactions.

To increase the appeal of the Hong Kong financial markets and boost transaction volume, we must develop a greater number of new financial products. Last year, the SFC already approved a number of hedge funds products. We are now considering whether to approve property investment trust funds so as to offer investors more choices.

In addition, we will also actively develop new areas of co-operation with the financial markets on the Mainland, so as to induce a greater number of sound private and state enterprises to raise capital in Hong Kong. We will provide

quality and efficient support services to those Hong Kong listed companies making investments in the Mainland and consolidate the status of Hong Kong as a base providing the best financial and professional services to the country in its course of external development and attracting foreign investments.

I wish to thank the Democratic Alliance for Betterment of Hong Kong for supporting the Government's measures on improving corporate governance and facilitating market development. We will submit the relevant legislative amendments in this Legislative Session. I hope that Members will render their support then.

It is very important that investors, particularly small investors, are given adequate protection in market development. With globalization, the financial systems of different countries are becoming more and more closely related. As an open financial market, Hong Kong will inevitably be subject to the influence of other economies and outside factors. This explains why we have proposed to put in place a deposits protection scheme to provide effective protection for small depositors and maintain the stability of the banking system. We plan to submit the relevant bill to the Legislative Council in the first half of 2003. In regard to the insurance industry, we are exploring the need for and feasibility of establishing protection funds for policy-holders. The study would be completed in mid-2003, by which time we will consult the public on the findings of the study report.

Some Members expressed concern that the decision made by the HKEx yesterday to liberalize securities brokerage might affect the business environment of small and medium securities brokerage firms. I wish to reiterate that the Government fully recognizes the contribution of small and medium brokers to the development of the financial markets, and it also respects and supports the final decision of the HKEx. We are of the view that the decision of the HKEx is consistent with public interest and can help upgrade the quality of the markets, in addition to fostering market development.

My proposal on establishing an inter-departmental working group to conduct in-depth studies on helping small brokers to upgrade themselves and enhance their overall competitiveness has received the full support of the SFC and the HKEx. I have therefore decided to go ahead with the establishment of an inter-departmental working group for the purpose of gauging the views of the industry. It is hoped that we can jointly explore feasible measures to improve

the business environment of securities brokers, facilitate the operation of the industry and enhance the competitiveness of brokers, especially small and medium brokers. That way, they will be able to keep abreast of the times and work with the rest of Hong Kong to enhance and consolidate the status of Hong Kong as an international financial centre. Thank you, Madam President.

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): Madam President, I am very grateful to Members for offering their views on the economic revitalization proposals contained in the policy address.

I have already given a detailed account of the Commerce, Industry and Technology Bureau's policy agenda and our major areas of work in the coming one year during the meetings of the Panel on Commerce and Industry and those of the Panel on Information, Technology and Broadcasting. Today, I shall concentrate on creative industries, small and medium enterprises (SMEs) and the work of attracting mainland and multinational enterprises to set up their business in Hong Kong.

For creative industries, as pointed out by the Chief Executive in the policy address, there is a very sound foundation in Hong Kong for the development such industries, and these industries should be an integral part of Hong Kong's future economic development. I am very pleased that many Members who spoke yesterday also supported this view. Mrs Selina CHOW said that the creative industries of Hong Kong possessed very huge potentials, and Dr David LI even opined that creative industries were the fifth pillar of our economy. The Government will make great efforts to foster and assist in the development of creative industries. Hong Kong possesses many good objective conditions for such development. Its people are smart and shrewd. It is also a highly open society where the best of the oriental and occidental cultures are blended. It is a place with free flow of information. Besides, there are also quality people, a modern urban lifestyle and a sound mechanism for the protection of intellectual property rights. Creative industries cover many different categories, some of which fall within the portfolio of the Secretary for Home Affairs, and those which belong to the portfolio of the Commerce, Industry and Technology Bureau include product design (such as fashion, toys, watches, jewellery, and so on), integrated circuit design, innovative and high-tech products as well as film, audio, multimedia, digital entertainment and animation products. I have already set up two steering committees to co-ordinate the relevant work. These

committees will conduct studies and try to identify the development potentials of these industries and also the problems they face. They will put forward recommendations, with a view to enhancing the close co-operation among the Government, the industries and support organizations. We will also set down some work schedules on implementing the Government's measures to assist the creative industries. In the case of film-making, for example, we have been making great efforts to promote the development of the local film-making industry, in a bid to upgrade the status of Hong Kong as an international film-production centre. Mr Timothy FOK and Mr MA Fung-kok have expressed concern over the local film-making industry; we will continue to enhance our efforts in this respect. We will set up a \$50 million loan guarantee fund for the industry before April this year as a means of tackling the pressing problem of capital shortage faced by those wishing to produce new films. The relevant proposal has received the support of the Panel on Information, Technology and Broadcasting. The existing Film Development Fund will continue to finance projects conducive to the long-term and sound development of the local film-making industry. In addition, the Film Services Division under the Television and Entertainment Licensing Authority will continue to promote Hong Kong as an ideal shooting location, put in place measures which can facilitate local shooting work and induce overseas film-makers to use Hong Kong as a setting for their films. The adoption of Hong Kong as a setting for a large Hollywood production, *Tomb Raider II*, is a fine example of our success.

We will also actively promote the development of the local digital entertainment industry. We will shortly finance the local digital entertainment industry in its participation in the IT Infrastructure Expo to be held in Hong Kong in February this year and the E3 Exhibition to be held in the United States in May, so as to help the industry explore business opportunities and enhance its international image. Fashion has all along been an important industry in Hong Kong; over half of the local exports are textile products, garments and shoes. These industries provide nearly 30% of the jobs available in the manufacturing sector. Hong Kong's imitation jewellery, spectacles and jewellery rank first, second and fourth respectively in the world in terms of export volume. Hong Kong fashion brands and designers have found a footing in overseas and mainland markets one after another, thus further building up Hong Kong's reputation in the world fashion sector. Hong Kong has also been an important purchasing centre of brand name fashion in the region. For fashion retail, it is even the sales centre of all brand name fashion from around the globe. That is why I am sure that Hong Kong does have the potentials to develop itself into the fashion centre of the Asia-Pacific Region. I am very grateful to Mrs Sophie

LEUNG for putting forward her ideas on the future development of the fashion industry. The relevant steering committee will consider her proposals in great detail.

The protection of intellectual property rights is an integral part of the knowledge-based economy and the promotion of creative industries. Hong Kong possesses a sound and modern system of laws and a good mechanism to protect intellectual property rights. The relevant laws are fully consistent with international standards. In the past few years, we have succeeded in further protecting intellectual property rights through the implementation of sound laws, severe enforcement and the enhancement of civic awareness. In respect of cross-boundary infringement activities, the Customs and Excise Department of Hong Kong has been maintaining close contact with mainland customs authorities, especially those of Guangdong. Both sides also hold regular meetings on co-operation, during which effective ways of intercepting the illicit flow of infringement goods between the two places are discussed. Both sides have also enhanced their intelligence and information exchanges, and joint operations are carried out periodically to raise the effectiveness of enforcement at boundary checkpoints and to increase the deterrent effect. As the name suggests, creative industries are all about creativity and originality in design. Therefore, while the Government seeks to promote creative industries, it must strike a suitable balance and refrain from interfering too much, lest the development of these industries may be stifled. Another feature of creative industries is that most of them are SMEs. In fact, SMEs are the principal driving force of the local economy, and they provide as much as 60% of the jobs available in the private sector.

Ever since my assumption of office, I have come into contact with many enterprises and commercial and industrial organizations. I understand that SMEs are facing three major challenges: financing, manpower training and the development of new markets. To further assist the development of SMEs, the Chief Executive announced that he had accepted all the recommendations of the SMEs Commission to increase the credit and funding limits under the four SME funds and provide more focused and substantive assistance to SMEs. Such assistance will include the increase of the Government's credit guarantee from \$1 million to \$4 million and an expansion of the scope of credit guarantee to benefit more SMEs. Besides, every small or medium enterprise will be eligible to apply for training subsidy and external market promotion funding. The amount of funding ranges from \$30,000 to \$40,000. We believe that the introduction of all these improvement measures will better enable the credit

guarantee fund to assist SMEs in rising to challenges in financing, manpower training and opening up external markets. We also believe that SMEs will thus seek more actively to equip themselves and look for new business opportunities.

The SMEs funds aside, the Government also plays an active role in market development and promotion. The Financial Secretary has just mentioned that the Chief Executive has laid down specific objectives in his policy address. In June this year, an arrangement on the main parts of a Closer Economic Partnership Arrangement will be reached. I believe that these arrangements will be helpful to those local SMEs wishing to develop their business in mainland markets and will greatly enlarge the room for development of SMEs.

As for promotion and outreaching work, one initiative is the holding of a "Jiangsu-Hong Kong Week" in December last year by the Beijing Office of the SAR Government, the Hong Kong Trade Development Council and other units. This one-week event enabled the Hong Kong commercial and industrial sector, comprising representatives from the professional and services sectors, to conduct exchanges and forge ties with their local counterparts. In March this year, the Trade Development Council will hold the first "Style Hong Kong" in Beijing. This flagship function aims to assist SMEs in opening up the huge domestic market of the Mainland by promoting the trendy brand names and creative products of Hong Kong there. SMEs are a main pillar of Hong Kong industries which plays an important role in fostering the economic prosperity of Hong Kong. To revitalize our industries, we must make serious efforts in this respect. On the one hand, SMEs must strengthen themselves incessantly, and on the other, the Government will take positive measures to assist Hong Kong industries in taking the path of high value-added, innovative and high technology content activities. That way, a sound foundation will be built for the future development of Hong Kong industries.

On information technology (IT), I very much agree with Mr SIN Chung-kai's points. To promote the economic development of Hong Kong, we must have the support of a prosperous IT industry. The Government has been doing its utmost to develop Hong Kong into an advanced cyber city and information centre in the region, and it has also been actively implementing the Digital 21 strategy. We will continue to work with the various sectors in taking forward work in this area. The Chief Executive mentions in the policy address that to tie in with the economic integration of Hong Kong and the Pearl River Delta (PRD), the SAR Government will enhance the role of Hong Kong as a regional centre of business operation.

I also wish to respond to Ms Emily LAU's opinions. In response to the rapid development of the Mainland and the increasing need of mainland enterprises to make investments in Hong Kong, Invest Hong Kong already set up a mainland team last year with the sole responsibility for attracting mainland companies to invest in Hong Kong and to use Hong Kong as a platform of developing overseas markets. Besides, the mainland team is also using Hong Kong's role as the hub of South China and the PRD as an attraction to attract foreign companies, especially small and medium ones, to invest in Hong Kong. It is hoped that such companies can use Hong Kong as a springboard to the mainland market, particularly that of the PRD. The Guangdong trade office of Invest Hong Kong and the Trade Development Council will continue to work with the relevant authorities of the PRD and other organizations to hold different activities and promote the combined potentials of Hong Kong and the entire PRD to the outside world. This will bring the economic integration of the two places to new horizons.

Madam President, in the past, I had many opportunities to criticize policy addresses in the Chamber and offer suggestions on them. I also put forward many ideas on improvement a number of times. This is the first time that I present the SAR Government's views in connection with a policy address. The Commerce, Industry and Technology Bureau and the departments under it will do the best they can to implement the measures outlined in the policy address and the policy agenda, so as to create a better business environment for the commercial and industrial sector. I hope that Members here today can join hands to achieve this goal. Thank you.

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Madam President, the theme of the Chief Executive's policy address is the revitalization of our economy. Sustained economic development is the only way to bring business opportunities to Hong Kong, to create jobs and wealth, and to benefit people from all strata.

Today, I wish to concentrate on the development directions of the two industries of logistics and tourism. Last year, our tourism industry performed quite well, recording a total of 165 million visitor arrivals, an increase of almost 20% over the corresponding figure of 2001. Despite the competition from neighbouring places, we are still very confident about the prospects of our tourism industry. The Government will continue to make positive efforts to

promote the development of our tourism industry by upgrading the appeal and competitiveness of Hong Kong's tourism hardware and software.

Upgrading the hardware means the development of new tourist spots and the improvement of tourism support facilities. We will actively launch two schemes using monuments as tourist attractions. The two schemes involve the development of the former Marine Police Headquarters in Tsim Sha Tsui, the Central Police Station, the Victoria Prison and the former Central Magistracy Compound into attractions of cultural tourism.

These two schemes aside, the superstructure construction of the Hong Kong Disneyland is also underway, with expected completion in 2005. Besides, the Tung Chung Cable Car System will also be commissioned in 2005. We are now actively studying the possibility of developing different types of tourism projects on Lantau Island, including a golf course, a high-class holiday resort, and so on.

In addition, the Hong Kong Wetland Park will be opened on a full-scale basis in 2005. This will help Hong Kong develop its ecotourism market. We will vigorously promote the development of different projects, so as to add diversity to the tourist spots and facilities in Hong Kong and satisfy the needs of different tourists.

Hardware alone is of course not enough. The Government is at the same time very concerned about improving the quality of the tourism software, that is, the service quality of the industry. The ordinance on the regulation of inbound travel agents already came into effect in November last year. We will co-operate closely with the Travel Industry Council of Hong Kong (TIC), with a view to ensuring the service standards of travel agents. We will also continue to support the provision of training to local tourist guides.

In respect of shopping, the Hong Kong Tourism Board (HKTB) will extend the scope of the Quality Tourism Services Scheme and seek to increase visitors' and people's understanding of it, so as to raise its effectiveness. The TIC will continue to implement the scheme of "100 per cent refund" within the first 14 days after purchase in order to safeguard the rights and interests of packaged tour visitors.

Looking into the future, we will see that the local tourism industry will still face many challenges. Based on the existing solid foundation, the Government

will continue to work closely with the HKTB, the TIC and the industry, with a view to maintaining the status of Hong Kong as the most popular tourism city in Asia.

Besides increasing the appeal of Hong Kong itself, the easy entry of visitors into Hong Kong is also very important to the development of the tourism industry. We will continue to negotiate with mainland authorities on further streamlining the procedures for mainland residents wishing to visit Hong Kong. The measures being considered include permission for Guangdong residents to visit Hong Kong in their personal capacity and facilitating the visits of the families of business visitors. Our objective is to enable visitors to complete the immigration clearance on the Mainland and Hong Kong sides within 30 minutes. We will also continue to work with the relevant departments and the industry to improve immigration clearance at the various checkpoints during peak periods.

In addition, we will also continue to promote tourism in joint efforts with the HKTB and other places in the PRD. The initiatives include co-operation with respect to tourism websites and the joint promotion of a multi-destination trip comprising Hong Kong and other cities in the PRD. This will benefit both sides and fully utilize the tourism advantage of the PRD.

Besides tourism, the logistics industry is also very important to Hong Kong. Our development strategy for the logistics industry is to continue to invest in the development of hardware and software. We will also co-operate closely with other cities in the PRD, so as to promote the development of the industry and enhance its competitiveness.

The policy address mentions the development of a Logistics Park. In this regard, we have started a follow-up study on the consultancy report on consolidating the status of Hong Kong as the premier international transportation and logistics hub in Asia. The aim of our study is to ascertain the operational features of the proposed infrastructure project and to quantify the related economic benefits. The study also aims to ascertain whether the establishment of a modern value-added Logistics Park on Lantau Island will bring to Hong Kong considerable macro benefits. The proposed value-added logistics park will be located close to the Hong Kong International Airport, and will thus be very suitable for the provision of logistics services to high value-added goods subject to time constraints.

The Logistics Park will develop a wide range of value-added services such as a one-stop integrated service comprising labelling, bar-coding, quality inspection and packaging, which will make the supply chain smoother and more integrated. The Logistics Park proposal will be submitted to the Logistics Development Board within this month for discussions.

We have also completed our study on a Digital Trade and Transportation Network (DTTN) System. This System can provide a neutral and open platform to facilitate the exchange of industry information and data and increase the speed and reliability of the flow of logistics information. It can also help reduce operating costs. Other industries related to the logistics industry have already developed their own information network systems. At this stage, we do not rule out the possibility of developing these existing systems into a DTTN System for the sake of early implementation. However, the most important thing is that such a system must be accepted and adopted by the industry as a neutral platform. The relevant study report will be submitted to the Logistics Development Board within this month for discussions. The implementation of these two proposals will raise the overall service standards of the local logistics industry and also provide job opportunities.

In regard to the development of container terminals, a feasibility study on the site selection for Container Terminal No. 10 under the Hong Kong Port Master Plan 2020 has already been launched. Factors such as planning, the environment, transport, engineering and economic benefits will be considered in the course of identifying the best site for Container Terminal No. 10. The scale and timetable of development will be determined by the growth of freight volume. The study on this is going on simultaneously. It is expected that the entire study will be completed at the end of this year.

Closer co-operation with the PRD is very important to the logistics industry. We are conducting a joint study with the State Development and Planning Commission to explore the room for logistics co-operation between the two places and also to look into specific and feasible projects of co-operation. We have selected the two operational concepts of "bonded logistics express line" and "inland logistics village" for detailed exploration. We will also strengthen our efforts to promote the Hong Kong logistics industry in the PRD. Last month, the Logistics Development Board and the Trade Development Council jointly organized an Hong Kong Logistics Expo in Guangzhou, during which mainland enterprises were introduced to the advantages of the Hong Kong logistics industry. We will continue to strengthen our efforts in this respect.

To sum up, we will continue to do our utmost to consolidate the status of Hong Kong as the premier international transportation and logistics hub in Asia, so as to enable this rapidly growing industry to bring increased economic benefits.

Many Members talked about the problem of unemployment yesterday, and some Members also opined that the policy address had failed to give much treatment to the issues of labour and employment. The main reason for such views is that the Government has not tried to say once again what it has been doing to improve the employment situation. As pointed out by Members, the only effective way to solve the unemployment problem is to revitalize our economy and increase job opportunities by vigorously promoting the development of such major industries as logistics, tourism, financial services and producer services. That is why I have talked so much about the future development of the tourism and logistics industries. The tourism industry, for example, provides about 360 000 jobs. In the next three years, more than 20 hotels will be completed, offering close to 10 000 jobs. Besides, the Hong Kong Disneyland will be completed in 2005, creating more than 18 000 posts. As for infrastructure projects, since we will spend \$147 billion on various works projects over the coming five years, there will be a demand for 40 000 workers a year. These jobs are very important to resolving the unemployment problem.

The SAR Government is very concerned about the problem of unemployment, and we will make continued efforts to ameliorate the unemployment situation and help the unemployed rejoin the labour market as quickly as possible. We will also step up enforcement to protect the interest and job prospects of local workers. In respect of improving the employment situation, we will continue with a series of measures, including the Youth Pre-employment Training Programme, the Youth Work Experience and Training Scheme and two new initiatives for the middle-aged, namely, the Re-employment Programme for the Middle-aged and the District Employment Programme for the Middle-aged. All these will provide targeted assistance to young people and middle-aged unemployed persons.

The Youth Pre-employment Training Programme will continue to provide young people with integrated pre-employment training, so as to assist them in seeking employment. Over the past few years, more than 35 000 young people have completed training under the Programme, and their employment rate has been close to 70%. The Government has also granted \$400 million for the

purpose of launching the Youth Work Experience and Training Scheme, under which 10 000 work experience and training posts will be offered in the next two years.

As for helping the middle-aged to secure employment, there are the two new schemes for the unemployed middle-aged mentioned above, and they are based on the operational experience drawn from the Re-employment Pilot Programme for the Middle-aged. It is hoped that further assistance can thus be provided to unemployed middle-aged persons.

The Re-employment Programme for the Middle-aged will benefit about 2 000 job-seekers. To encourage employers to engage the middle-aged unemployed and provide three months' on-the-job training for them, the Programme will grant to the employer a \$4,500 training subsidy, that is, \$1,500 per month for three months in respect of each participating job-seeker.

At the district level, the Labour Department will join hands with NGOs to implement the District Employment Programme for the Middle-aged, so as to identify more new vacancies and assist 1 500 unemployed middle-aged people to get jobs in the districts where they live or in nearby districts.

These two schemes will be launched in April this year, and 3 500 people are expected to benefit from them. Although the number of people to be benefitted is not very large, we still hope that we can set an example and induce employers in Hong Kong to take on the middle-aged.

All the Policy Bureaux concerned will continue to exert their utmost to create job opportunities by promoting the local community economy, creative industries, recycling and infrastructure projects. The Government will also continue to remove all unnecessary restrictions and simplify procedures, so as to speed up the creation of jobs. Of course, the most important work is to actively promote the development of various trades and industries and launch our infrastructure projects to create more jobs.

While seeking to improve employment, we will also endeavour to protect the job opportunities and rights and interests of local workers. We will spare no effort to clamp down on illegal workers and step up inspection and enforcement. We will also step up enforcement against employers with wages in arrears to

ensure that employees can get their wages. To enhance the work of combating employers connected with wages in arrears, the Labour Department has set up the Employment Claims Investigation Unit to conduct in-depth investigation into cases of wages in arrears and speed up the case handling process. But our work in this respect is not confined to local employees. We have just set up a task force to handle cases where foreign domestic helpers' wages are wrongfully deducted or where employment agencies ask for excessive charges or commission. Prosecutions will also be stepped up in this connection.

Madam President, we will continue to take measures to vigorously boost our economic development, improve the business environment and create more jobs. At the same time, we will step up enforcement to protect the rights and interests of employees.

Thank you, Madam President.

PRESIDENT (in Cantonese): The first debate session ends.

PRESIDENT (in Cantonese): We will now move on to the second debate session. The policy areas for this session are "food safety and environmental hygiene, health services and welfare services".

MR FREDERICK FUNG (in Cantonese): Madam President, the Chief Executive has proposed several measures in his policy address and policy agenda to build Hong Kong into a caring and just society. However, the administration of the Hong Kong Special Administrative Region (SAR) in the past ran in the contrary. We found that many policies and measures have in fact caused division in society, taking away the care and compassion community members have for others, and caused the disappearance of justice in society. Take the right of abode issue as an example. By threatening that there would be an influx of 1.68 million mainlanders, the Government led Hong Kong people to believe that those mainlanders would compete for local jobs and endanger their present status, thus straining the relationship between the two. On the issue of Comprehensive Social Security Assistance (CSSA), the Government, seeking to pave the way for a cut in CSSA payments, fostered the message that "CSSA nurtures lazy bones", and thus undermining the relationship between the general

public and poor families in receipt of CSSA. In the case of legislation on Article 23 of the Basic Law, the Government turned down the moderate and reasonable request for a White Bill. This has not only divided supporters of the legislation and opponents of the content of the consultation paper and legislation, but also polarized the community. Regarding the strong public request for a reduction in public housing rents, the Government went against the spirit of law in rejecting the request. However, demands of large property developers have all been entertained wholesale. Can all this make the public trust that the Government is making sincere efforts to build a caring and just society? Under the administration of the SAR Government in the past, twice efforts have been put in building a caring and just society but getting only half the result. The Chief Executive should, in his new term, review this seriously, so that the tactics and policies employed by the Government will not go against his goal of building a caring and just society.

In the new initiatives proposed in the policy agenda, the Chief Executive said that an effective and sustainable safety net would be established. However, the assistance provided by the CSSA system now is only a kind of remedy; the immense labelling effect it carries has turned away many poor families in need. Actually, the objective of the CSSA is to enable recipients to maintain a basic standard of living. But those poor families which are eligible for CSSA but are reluctant to apply for it are not granted any exemptions as are CSSA recipients in such basic needs and services as health care and housing. This illustrates that the existing safety net system is inadequate, inappropriate and full of loopholes. The Hong Kong Association for Democracy and People's Livelihood (ADPL) has, on several occasions, proposed to the Government the setting up of a secondary safety net to provide support and assistance to low-income families in various areas other than the CSSA. For example, the granting of rental subsidies, maintenance subsidies, transport allowances, medical fee exemptions, or short-term unemployment grant for a limited period, will help to relieve the burden of low-income families. Under the safety net provided by the all-in-one CSSA payment package, low-income families are, to a certain extent, denied any assistance by the Government and they are thus forced to endure their sufferings. We think the Government, while encouraging people to stand on their own feet and refusing to provide a secondary safety net, will in no way foster the building of a caring and just society. Its hold on to the CSSA, a system carrying immense labelling effect, will not help to relieve the financial difficulties suffered by poor and low-income families as a result of financial hardships in recent years.

At present, more than half of the CSSA recipients are elderly people. However, the Mandatory Provident Fund schemes will only see results 20 years later, and the protection so provided cannot secure the post-retirement life of low-income groups. In view of the ageing population in Hong Kong, we maintain that the Government should consider setting up an old age pension scheme to render the operation of the CSSA system sustainable. The establishment of such a scheme will on the one hand provide a retirement safety net offering protection to the elderly at present, and enable the sustained effective operation of the CSSA system on the other. Such a scheme will help to meet certain daily needs of the poor elderly, as well as those who refuse to receive CSSA but live solely on Old Age Allowance.

The Government has not made any positive response to the above proposals. Will the Chief Executive tell us, what great ideas or new initiatives he has in mind in providing an effective, sustainable and secure safety net to help the financially vulnerable people and families mentioned above?

Apart from the safety net issue, the Chief Executive has also proposed to allow the elderly to have more choices and flexibility in using residential care services. However, since 1 January this year, the Government has ceased to receive new applications for residential care homes for the elderly and this has in fact reduced the choices and flexibility that the elderly may enjoy. Though the Chief Executive encourages the elderly to lead a positive and healthy life, he has for a long time been procrastinating on legislation for protection of the elderly in order to curb elderly abuse cases which are increasingly serious. Again, while the Chief Executive has pledged to introduce Chinese medicine into the public health care system, he is reluctant to put in sufficient resources to cope with service provision and development. The Chief Executive has also pledged to work out sustainable long-term financing arrangements for the Hospital Authority. But, so far, the public has only seen the introduction of the accident and emergency service charges with no comprehensive and reasonable waiver mechanism, and an increase in various fees and charges to be implemented in April.

As I said at the beginning of my speech, if the Chief Executive seeks to establish a caring and just society, why are the policies and measures of the Government heading in the opposite direction? In view of the circumstances just mentioned, how can he convince the public that the Government means to build a caring and just society sincerely? To build a caring and just society, the

Government should, other than setting principles and directions, implement measures and provide resources in pursuance of this goal. Now, we have only seen targets named by the Chief Executive, but not positive or concrete policies, measures and financial arrangements that will materialize his directions and make the public feel a real feeling of caring.

I, therefore, hope the Government will stop acting arbitrarily, stop the series of examples cited by me from happening, stop dividing the community and stop denying those in need of due assistance. This will be very kind of the Government indeed. Unless the Secretary can present to us, in this debate on the policy address, many measures we do not know of, the Chief Executive's pledge to establish a caring and just society is nothing but empty talk. I so submit.

MR WONG SING-CHI (in Cantonese): Madam President, when Mr TUNG assumed office of his first term as the Chief Executive, he said in a high profile that the land prices were exorbitant in Hong Kong and that wages were high, and these would affect the economic development of the territory. Now we can see that land prices are so low that people do not want to buy any flats and wages are so low that people are willing to take up any jobs that would give them means. Meanwhile our economy is stagnant and there is no hope of development to speak of. The problem is that people have lost their hopes and they have lost their hopes especially for some of the things done by the Government.

Recently, the Government has been launching a lot of publicity about the gravity of our deficit problem and the enormous welfare expenditure. Some officials have even pointed out that if measures are not taken, chances are likely that some welfare expenses have to be slashed greatly later and that CSSA recipients would be subjected to greater restrictions, and so on. Such remarks and moves would obviously give people an impression that the Government considers social welfare as a kind of costs for our economic growth and that such costs must be reduced before Hong Kong can ride on a better track to economic growth. That is really a wrong explanation, a wrong concept.

The people of Hong Kong are our assets and we should bring such assets into good play so that the people would have confidence in our Government and their future. They can then work hard and give play to their strengths, thereby enabling Hong Kong to pursue better development. Unfortunately, the

Government regards social welfare as a burden of Hong Kong. This is worrying and it makes people lose their confidence in the Government. Actually, the social welfare system should be regarded as a kind of safety net for people to fall back on when they are in trouble, that it will prevent them from having nowhere to turn to. But now the Government is saying that this safety net is a burden for our future development and so people's confidence is undermined. So if the Government really wants to build a caring and just society, I hope that the Government will refrain from marking the increase in welfare expenditure as the root of a worsening deficit problem, for this will intensify the community's misunderstanding of CSSA recipients.

It is true that the number of CSSA applicants has increased greatly over the past few years, however, this is not surprising as this is closely related to our economic performance. The great surge in the number of unemployed people, the fall in wages and the rise in the number of elderly people, and so on, have all contributed to the increase in CSSA applications. Though it is true that the increase in the number of CSSA cases has led to an increase in welfare expenditure, it is understandable that in the absence of a retirement protection system and unemployment protection, people will resort to applying for CSSA when the economy deteriorates as they are short of means. So how can we say that CSSA recipients are a burden of society?

As a matter of fact, for so many years the Chief Executive has given us a very superficial impression. He said that he attached great importance to the welfare of the elderly and he also said that he would ensure that the elderly enjoy a sense of security. But when Hong Kong is facing such a time of hardship and when the economy is sluggish, he just throws away these pledges. In the policy address this year, Mr TUNG only stresses how to rescue the economy and there is not a single word on the welfare of the elderly. Furthermore, on the question of an ageing population, how would the Hong Kong Government tackle it? It is because by 2031, the elderly population in Hong Kong would increase to 2.12 million, or 24.3% of the total population. Mr TUNG's policy address fails also to mention how the Government is prepared to tide over this difficulty. Then how can the people of Hong Kong have any confidence in the Government and how can they feel that the Government cares for the elderly?

With respect to the social welfare policy for the coming year, one new initiative, in fact it is the only one, is a line from the policy agenda, and that is: "implement an effective and sustainable safety net". Why can this be said to be

a new initiative? Is this not something which is already in existence? Do we not have a very safe safety net? The policy address is saying that there may not be one and so a sustainable safety net should be established next year and the financially needy would be helped by a safety net in the CSSA system. As this is something which is being done all along, why is it a new initiative? The policy agenda has not said anything in detail as to why this is a new initiative. Though Dr YEOH Eng-kiong has not made it explicit, it can be read between the lines that CSSA payments will be slashed to cope with the increase in the number of cases. The Government must not reduce the CSSA payments for the elderly and the handicapped.

The Government stresses that even if CSSA payments are to be adjusted, they would be adjusted according to the social assistance price index and so the life of the recipients will not be affected. But is the life of the CSSA recipients that well-off? Does their quality of life afford any room for downward adjustment? Let me give an actual example. At the end of last month, a group of elderly people told their plight to the Chief Executive in a forum, of course he was not there, and it was a case of them telling the Chief Executive through the media. An old woman by the surname of CHAN said that she and her husband depended on the CSSA payment of about \$5,000 a month for a living. All the furniture in their home are things discarded by other people and they cannot afford any new furniture. To save on expenses, they would cook a meal and eat for a few days. They dare not buy any new clothes to replace the worn out ones. Such cases and stories abound. Has the Government seen them, heard of them? The top officials may have accepted a pay cut of 10% to 20%, but this would not have any effect on their daily living expenses as these may account for only 10% of their salary. However, when people of the lower classes have their wages slashed by 10% to 20%, or when the CSSA payments are cut by 10% or 20%, that will have a devastating effect on them, for 90% or more of their income is used to meet basic living expenses. So how they can be cut? What means do they have after such a cut?

The Democratic Party sincerely hopes that the Government will not wield its axe at the underprivileged, in particular the old and handicapped people. They are less able to adapt to changes and when public assistance is cut, their life will certainly be affected. Not only will these people be affected, but that other people will worry about what would happen to them when they face the same hardship as those CSSA recipients, that is, their income will be constantly slashed by the Government. So for those people who are not in immediate hardship but may face such hardship, their mind can never be at ease.

Madam President, the only tactic employed by the Government to tackle the economic problem is to cut, cut and cut everything. No wonder the people of Hong Kong have to complain, complain and complain. As the Government asks the people to ride out the difficulties together, it should not reduce the welfare of the needy or abandon those who are badly in need of help, lest the people will lose their confidence in the Government. More so will their confidence in the Government be undermined when they face adversity. The Government should never cut the CSSA payments and it should care for the elderly and the handicapped as they are living under great hardship. Thank you, Madam President.

MS CYD HO (in Cantonese): Madam President, the Chief Executive talks about the economic direction of Hong Kong at great lengths in his policy address. One gets the impression that he is saying that the sluggish economy is the root of all problems and that all would be well when the economy turns for the better. The authorities have proposed the principle of "big market, small government". But I would like the Government to know that some problems cannot be solved by market forces. Conversely, a strict adherence to the rules of the market would only make those socially disadvantaged who cannot adapt to the laws of the jungle more helpless. Social welfare, poverty relief and such like policies should be increased in defiance of the economic cycle.

In response to criticisms, the Chief Executive cited some figures in respect of the economic growth of Hong Kong. These include the number of visitors, the throughput in air freight, and so on, to allay people's fears for the economy. However, there are also many figures which show that the problem of the disparity between the rich and the poor is worsening. The Gini coefficient is rising sharply, and the jobless rate for 2002 stays at 7% to 8% and has only dropped slightly recently. Wages of grass-roots workers have fallen by a big margin of 50%. These figures have been cited in the Legislative Council many times and each one of them shows that the possibility of inheriting poverty is becoming greater. When the problem of the disparity between the rich and the poor worsens, and if we cannot address the problem promptly, that would only lead to more grievances and greater social instability.

We should never allow the problem of fiscal deficit to affect our long-term investment on society and our care for the aged and the weak. The Government is calling for a just and caring society on the one hand, but on the other, as we have heard the Financial Secretary say recurrent expenditure will be slashed by

\$20 billion, plus an earlier decree by him that expenditure for all departments would be cut by 1.8%. Why can our core leadership not set the priorities in retrenchment and say boldly and clearly that the socially disadvantaged will be protected? The result is that departmental officials, including the Secretary for Health, Welfare and Food, are not doing what they are supposed to do, and they are spending the time lobbying the various subvented groups, the community and the poor on the reduction in welfare services and CSSA payments. So they do not have the time and energy to make more proactive efforts in poverty relief. In the end, those people who do not have the chance to climb the social ladder for the time being, especially the children of poor families, will be denied a good environment for their upbringing, equal education opportunities and freedom from poverty and abuse. Our ultimate goal is actually to enable these children to become good citizens who can make commitment to society, and enable them to have the means to help other unfortunate people in the future. In the long run, this is the most effective way to reduce the financial burden of the Government.

Over the past six months, the Director of Social Welfare has said on various occasions that the standard rate for CSSA will be adjusted. As we all know, the accumulated deflation is about 12% and indeed the deflation can only roughly offset the huge reduction in CSSA payments of 15% to 18% last time. If a further 10% is cut this time, many families would be plunged into an even worse state of poverty. Many groups have pointed out that this index on expenses is detached from the reality and the basic expenses for a CSSA family cannot be reduced any more with respect to such items as food, transport, utilities, school fees, and so on.

I urge the authorities to compile an index on the expenses of low-income families again. Samples should be taken from families of different composition, such as the singleton elderly, single parent plus young children, single parent plus adolescents, the chronically ill and those injured at work, and so on. An in-depth study should be made on their spending pattern and some objective figures should be obtained to see how much money they spend monthly on necessities. Then we can discuss whether or not the existing amounts of CSSA payments are too high or too low.

At the end of the day, we should indeed draw a poverty line for reference of policies on poverty relief in future. That will enable us to have a more accurate picture of poverty in Hong Kong and to prevent a situation of the poor being incited to fight against the other poor which we have seen so often these days.

The Secretary has in his control almost 30% of the recurrent expenditure of the Government and he is the greatest target for retrenchment. I think the greatest challenge for Dr YEOH is not a just and caring society which is after all merely a slogan. The most practical challenge for him is a challenge of the reds. In the face of this deficit problem and this scramble for resources within the Government, I urge the Secretary to stand firm, just as the Commissioner of Police said in the meeting of the Security Panel this morning, that he would make his voice heard when he saw that expenditure could not be cut any more.

I hope every officer-in-charge in every Policy Bureau can have the courage to say no and tell the Financial Secretary that there is a genuine need for more resources in their respective policy areas and duties. I also hope that the Financial Secretary can listen to the voices of the people and set priorities. Savings should be made on items that should be saved. Money should be spent where justified. We agree that cutting expenditure and increasing revenue are the ways to achieve fiscal balance in the long term. However, our targets should not be the grassroots, and we should also pay attention to the direction of investment in the long-term development of society.

Madam President, I would also like to make some comments on gender mainstreaming perspectives. The policy address and the Budget are two most important documents of administration by the Government over the year. We note that the Women's Commission has put forward a Gender Mainstreaming Checklist recently. We doubt very much if the policy address has been written with reference to this Checklist. The policy address does not mention any impact of the integration with the PRD and the direction of economic development on gender equality. Therefore, I hope that the Bureau Directors can take follow-up actions from this perspective and care about this disadvantaged group which takes up half of the population. Thank you, Madam President.

MR CHAN KWOK-KEUNG (in Cantonese): Madam President, last Sunday I watched the groundbreaking ceremony of the Hong Kong Disneyland on the television. If Hong Kong can become a place free of conflicts and grievances, and a society filled with fun and laughter, how nice will it be. Although Disneyland is only a theme park in Hong Kong with an area of 100-odd hectares, it is a symbol of the just and caring society we aspire to build.

In the past year, there were too many grumbles and grievances in Hong Kong. The widespread discontent may be attributable to the worsening of the employment situation. And we have seen the three most tragic things in some employers always exploiting the workers, cutting their salaries and laying them off. For this we have argued a lot in this Chamber with Honourable Members from the business sector.

In this session, I would like to call upon employers not to sack their staff as there are already too many unpleasant things in our community and wage earners should be given a chance to survive. Only when this happens can consumption power be restored and our internal conflicts resolved. For if not, the Disneyland will only become nothing more than an amusement park, not a symbol of this piece of land on which we live and work happily.

When there are ills in society, how can the Government shirk its responsibility? Whenever conflicts arise, something must have gone wrong with government policies. One example is the fees and charges for medical and health services being raised before any waiver mechanism is devised for the poor.

I have been given to understand that the Health, Welfare and Food Bureau once proposed to the top echelon of the Government to use the median income as the criterion in the mechanism to determine fees and charges based on affordability of users. For example, given the median income at about \$10,000, if the patient's income is less than 25% of the median income, then his medical bill can be reduced by 25%. If his income is 50% less than the median income, then his bill will be reduced by half, and so on. It is hoped that this mechanism will help those in the low-income bracket.

As for the chronically ill, the medical fees can be waived according to the number and frequency of consultations sought. The principle is also applicable to those elderly persons not on CSSA. I believe this is a desirable idea.

However, the top echelons of the Government oppose this idea for the fear that this may lead to policy confusions in charging. They would rather reject this proposal with a stroke of the broad brush. I do not share this concern, for there are many different kinds of fees and charges on public services related to the people's daily life and there are also different charging policies. The most obvious example is public housing rental and there is a rent relief policy which

can waive half of the rental. This is determined by the Housing Authority and it is different from other kinds of public services. Given this, why is such a hollow excuse cited to dismiss the feasibility of a fee waiver mechanism? This is undesirable.

I appreciate the determination of the Government in fees and charges and I understand the threat posed by fiscal deficits. However, this proposal of charging according to a scale is very reasonable as it offers free medical services to the elderly and the poor who should enjoy such generous treatment albeit they are not CSSA recipients. So it is something which the community is willing to undertake and can afford.

On the other hand, the Social Welfare Department is trying to slash the standard rate of CSSA by 10%. It even threatens to restrict the duration which people can receive CSSA if this is not endorsed. Though the expenditure on CSSA is rising all the time, this is precisely a safety net effect at this time of economic difficulty. That is why we have the CSSA scheme. For if not, why do we not simply tell the jobless, the single parents and the elderly to pray for their fortune?

We see that Honourable Members have directed their speech against the Secretary for Health, Welfare and Food. So it can be seen that these two major social policies as mentioned above have failed to meet the expectations of the people. I hope the authorities will cease to say that CSSA recipients are all lazy bones, that they are reluctant to find a job. Such remarks will divide society and I implore officials to pay attention to this.

The heads of governments and leaders of society are always calling for justice and care. But how can a just and caring society be possible if our wage earners and the low-income group fail to get any assistance? There will not be any paradise, but only a paradise lost. A place where happiness is gone forever.

I so submit.

MR LEE CHEUK-YAN (in Cantonese): Madam President, today we will talk about justice and care. In all the 62 paragraphs of the policy address, the Chief Executive talks about the future direction. After reading the policy address

cover to cover, it is obvious that there is no justice and care in the future direction. One can only find economic issues. Is it because the Chief Executive is unaware of the happenings in society? Not really, for in some areas, he knows what the conditions are. For example, the policy address says, "As industrial production relocates northwards, and corporations slim down to achieve greater cost-effectiveness, the unemployment rate will unfortunately remain high for long periods. The income of some people will drop and the income gap will grow." Some people will say that there is a lack of a sense of security and conflicts and clashes will arise. So it is not true that he knows nothing about conditions in our society, but that does not help things at all. In the end, he can only tell the people not to indulge in nostalgia. As I see it, the conclusion is simple indeed. That is, he cares not a dime about the people. Is this the case? Does the policy address want to tell the people of Hong Kong that if we fail in the economic restructuring, and if we cannot make the train, we would only have ourselves to blame?

The direction of administration as laid down by the Chief Executive is, I think, to divide Hong Kong people into different categories. When he has to sense the urgency of the people, he will first see which category of people is in question. The richer the people, the higher they will be placed on his priority list. The poor will simply be dumped aside. So in Hong Kong, the low-income and the penniless have all become non-existent, invisible to his eyes. What he sees are only the richest of the rich, that is, the giant consortia. For the common people, the policy address simply ignores them. This is a message loud and clear. Where then is care and justice? Now we have a policy agenda which boasts a caring and just society as a guiding principle. All this comes across as only hypocrisy to me.

Why is the Government so hypocritical? I am not blaming Dr YEOH Eng-kiong, nor am I saying that he is hypocritical. The reason is simple, that is, people's sense of justice is blinded by the dollar sign. Justice is killed. Care is killed. All in the name of fiscal deficit. Now it is meaningless to talk about anything. The concerns of the Financial Secretary overpower and overwhelm those of the Secretary for Health, Welfare and Food. The latter is overawed and overpowered. He too has to see the deficit problem as his most pressing task. And so he has to weld his chopper and chop. Perhaps Dr YEOH is becoming the Financial Secretary, for there is nothing he can do within his portfolio. He must collaborate with the Financial Secretary to cut expenditures. We can see that the situation can become very dangerous if this trend continues.

Many Honourable colleagues have mentioned that cutting the CSSA is like wielding the knife at the poor people. The collection of medical fees and charges is tantamount to transferring the expenditure onto the people. The other day, after hearing the remarks made by Mr Bernard CHAN, I felt all the more worried. As funding for NGOs is going to be slashed, some of the services provided by the Hong Kong Council of Social Services will not be free of charge any more. When money comes before everything, how can there be justice and care? For those people who have been dumped from the train in the course of economic restructuring, has the Government given them any care and justice? When will they get a decent living? And when will they feel secure? Could Dr YEOH give me answers to these questions?

Thank you, Madam President.

MS AUDREY EU (in Cantonese): Madam President, the session on a caring a just society is to me more attractive than other sessions and it is the most important one in my view. Regardless of how vibrant the economy is or how advanced science becomes, if there is anything in people's quality which leaves to be desired, human relations will deteriorate. This is not the kind of society I wish to see, nor is it one in which I wish to live. At times of economic hardship, the leaders are particularly obliged to unite members of society to ride over the adversity. Unfortunately, I think our leaders have completely failed in this task. I am not just talking about the Chief Executive alone, and sometimes I would think that the Directors of Bureaux have the same obligation. They may make some provocative remarks and say that those who criticize the Government are making some misleading or deceptive comments. Such will never be helpful to building a caring and just society. I hope that these things will never happen again.

Madam President, many Honourable Members have talked about the issue of poverty. It is an issue which should receive much attention in this session, for the Gini coefficient of Hong Kong is worsening and now it is at 0.525. We rank 98 in 100 countries and we are as bad as Africa and Columbia. Such figures surely are not something we can take pride in. We often hear that we are in the same boat, but whenever I look at these Gini coefficient figures, I would think that given such a wide disparity between the rich and the poor, it would not help at all if we say to these people that we are in the same boat.

Madam President, I do not intend to say too much on social welfare, for many Honourable colleagues have talked about that already. I would only like to talk about the issue of racial discrimination. In paragraph 29 of the policy address, the Chief Executive says, "In short, we are creating a unique and attractive environment in which both local and overseas people like to live, do business, work, or visit, regardless of the nationality, race, sex, age or religion. I hope that our friends from overseas who stay over in Hong Kong will find that this city makes them feel at home." This is certainly a very beautiful picture which the Chief Executive paints, and his words certainly sound pleasing to the ear. But, Madam President, the issue of racial discrimination has been an issue discussed for years. Now as I leaf through the policy agenda, I see that in the section of Ongoing Initiatives under Caring and Just Society, it is stated that the Government is considering legislation against racial discrimination. As a matter of fact, the problem of racial discrimination does exist in Hong Kong and it is very serious. This applies to discrimination against new arrivals to Hong Kong and the ethnic minorities. Since the Chief Executive stresses that we should build a caring and just society, I do hope that everybody can enjoy equal opportunities. I also sincerely and solemnly implore the Government to enact legislation as soon as possible to prohibit racial discrimination so that the world can really see that when we say everybody is equal, we do believe in it and that we are prepared to uphold the right of everyone to equality with our laws. Thank you, Madam President.

MR FRED LI (in Cantonese) Madam President, the topic of this debate session is about "Caring and Just Society". Now Dr YEOH is the only public officer in this Chamber to listen to our views on the relevant policy area. Although the SAR Government likes using slogans to underscore the focus of its work, it is still difficult for me to figure out how health, welfare and food matters can be associated with care and justice; they are in fact totally irrelevant. Can it be possible that the slaughtering of chickens is equivalent to doing justice? Alternatively, is doing more cleaning work equivalent to caring? Perhaps Dr YEOH should explain that later. However, I consider the remarks of Ms Audrey EU more relevant to the topic.

In fact, it is indeed quite difficult for Honourable Members to express views on the policy area of food safety and environmental hygiene on the basis of Mr TUNG's policy address of "sheer emptiness". It is because after reading the address of Mr TUNG, the only item which is relevant to this area is the

reference to reduction of business costs by cutting red tape and streamlining procedures in paragraph 16, and the understatement in paragraph 28: "We will continue to clean up our environment and beautify our surroundings — prerequisites for a world-class city." There is no elaboration on what efforts the Government would make. I cannot find anything relevant to the endeavours of keeping Hong Kong clean even in the policy agenda.

I am most impressed neither by the lofty aspirations nor ambitious words in the policy address or the policy agenda, but by the introduction of the policy agenda, that is, one of the paragraphs at the beginning of the policy agenda which reads "We are always conscious that governments cannot be all things to all people. No honest government can ever claim to solve all life's problems in a single stroke. We are well aware that it is not the total number of initiatives that count but the number that can be brought successfully to fruition." It seems that it is trying to find excuses for the hollowness of the policy address.

Nevertheless, as I looked up policy addresses, policy objectives and progress reports of past years, I found that the Government had made three unaccomplished pledges in the policy area of food safety. Firstly, the Government proposed in 2001 that it would draft amendments to the food labelling legislation; secondly, the Government stated in 2001 that it would introduce a proposed mandatory food recall regulatory framework; and thirdly, the Government proposed to consult the public in 2000-01 on the labelling of genetically modified food and then introduce the necessary legislative amendments.

These pledges are lagging far behind the timetable set by the Government itself. Indeed, none of them had really solved problems in a single stroke, instead, they have been dragged out for a long period of time. In view of the fact that the Government had made these pledges, should we consider the explanation in the introduction of the policy agenda the biggest irony of all?

Madam President, the Democratic Party considers that the three pledges just cited by me should be dealt with speedily. After all, it is unacceptable that they have dragged out for two years. I am glad to hear Dr YEOH say during the briefings on the policy address that a policy proposal on a nutrients labelling system would be completed within 18 months. Even though it is not a short period, it is better than seeing it vanished in obscurity. As to the labelling of genetically modified food and the proposed mandatory food recall framework,

the Democratic Party hopes that the Government will come up with some directional proposals as soon as possible, so that a bill can be introduced to regulate matters in that area, to enhance the right to know of consumers and to strengthen the protection of public health.

In the policy agenda, the most mentioned topic is the avian flu. In page 18, it is mentioned that the Government will "develop a multi-pronged strategy to minimise the risk of avian influenza outbreaks", and "improve overall food safety and control on agricultural and fisheries operations that have an impact on public health or the environment." The public supports these general principles, especially certain chicken farms and market stalls with frequent outbreaks of avian flu. We appreciate the Government's suspension of their licences.

I believe outbreaks of avian flu will still come and go in future. The Government should find ingenious ways to implement these policies and strengthen regulation in order to prevent the impact on the normally operated chicken farms and chicken traders. I would like to add in passing that I would later on publicize the results of a survey concerning whether the public prefers chilled poultry to live poultry. When people were asked which type they prefer, 60% out of the 1 000 respondents indicated that they would mainly choose live poultry.

The current problem is that regardless of chicken farms or market stall owners, the Government has assumed the position of "extermination without reparation". I believe it is possibly the result of budget deficits or other reasons. The Government would not carry out a comprehensive slaughter solely for the purpose of confining the virus. However, chicken traders and farmers make a living by breeding and selling live poultry. Now that the Government considers avian flu an endemic disease in Hong Kong, therefore it will not make any compensation easily. For this reason, it should take extra care to handle its relationship with the industry. Although I am not a member of the poultry industry — I am only a representative of general consumers as the industry has its own representative in this Chamber, I could still share their pent-up grievances against the recent approach adopted by the Government. In view of the habitual outbreak of the avian flu plus the import of chilled poultry, the market share of live poultry would decline, but it would not shrink because there is still a constant number of live poultry patrons. Despite our support for the import of chilled poultry — let me reiterate that the Democratic Party supports the import of chilled poultry, so that consumers may have more choices — we

should not ignore the sentiments of the poultry trade. We genuinely hope that the Government can sit down and talk to the trade with a view to finding a way to help the trade to tide over the crisis and ease their hostile sentiment.

Madam President, I so submit.

MR TOMMY CHEUNG (in Cantonese): Madam President, paragraph 16 of the policy address delivered by Mr TUNG stresses the principle of "big market, small government" and "to reduce business costs by cutting red tape, embarking on deregulation". The catering industry is in absolute support of this. But take the example of a snack shop, although since June last year, snack shops are permitted to sell five more kinds of snacks as a measure to boost their business, many people in the industry are not aware of this. The authorities should publicize this new measure in the industry and among investors through various channels.

In addition, as I have said on various occasions or in this Council, people in the industry have to apply for a variety of licences if they want to sell a multitude of food. For example, if supermarkets and convenience stores wish to sell barbecued meat, bread, ice cream, or even other kinds of fresh meat, they will have to apply for different licences. For fresh provisions shops wishing to sell pork, beef and mutton also need to apply for different licences. Two years ago, the Government said that a general licence would be issued to enable industry practitioners to sell different kinds of food, but no progress has been seen to date.

Sidewalk cafes were a frequent topic of discussion last year. Both the Chief Executive and the Government agreed that the idea should be promoted. In 2000, there were 22 applications for sidewalk cafes in Stanley and Sai Kung. But by August 2002, only three food establishments were allowed to operate as sidewalk cafes. Given such a slow processing of applications, how can the sidewalk cafe business grow? The Government has found the right direction when it makes sidewalk cafes a measure to boost the economy, and the catering industry supports this. What I am doing is to urge the Government to streamline the procedures expeditiously and various departments to co-operate and implement the policy with flexibility. On top of that, there should be better communication between departments so that the licensing work can proceed more smoothly.

Apart from licensing matters and sidewalk cafes, there has been a U-turn in government policy regarding the operation of "private kitchens". The latest proposal is that those "private-kitchen" restaurants operating in commercial districts or commercial buildings must get a licence, but it is amazing to note that those "private kitchens" operating in residential buildings are exempted. All that these establishments need to do is to get a permit. What kind of logic is this? Why are "private kitchens" operating in residential properties not required to get a licence? Would this not cause a great nuisance to residents? Why are "private kitchens" operating in residential buildings exempted while those in commercial buildings are required to get a licence? The Government argues that "private kitchens" are given a free hand because it wants to boost the local community economy. But are those operators selling fish ball noodles and "pineapple" buns in shopping malls and commercial premises not regarded part of local community economy? Do they not make any contribution to Hong Kong? Why is it that when food establishments place a broom in front of their shops on the street they are charged with obstruction by the Food and Environmental Hygiene Department and the police while the unlicensed "private-kitchen" restaurants on the floors above can place their brooms anywhere without being prosecuted?

If the Government thinks that these "private-kitchen" restaurants should be treated more leniently because of their small number of seats and short business hours, then the same kind of treatment should be given to those food establishments with 18 seats or less and with business hours of three hours or less, irrespective of whether they are situated on the ground floor or on the upper floors. There should not be any favouritism. The authorities should not just think that since these "private-kitchen" restaurants are a specialty, then they should be allowed to do business without getting a licence. For in so doing these restaurants are in fact acting in contempt of law and the licensing legislation for food establishments. They are free from the regulation of the fire service and the health authorities, and on top of this, no inspection will be carried out by officers of the Food and Environmental Hygiene Department. A rough estimate shows that a few hundred of these "private kitchens" are operating in Hong Kong and these unlicensed restaurants do not have to spend huge sums of money on decoration. Nor do they have to pay the trade effluent surcharges, licence fees, liquor licence fees, and so on. I do not know if they have a business registration or not. These operators do not have to pay tax and I do not know if they have to make MPF contributions. Does the Government know anything about all of these?

The hygiene standard of food establishments in Hong Kong is among the highest in the world and this has been made possible because the catering industry is effectively regulated by the laws and people in the industry are law-abiding. If a section of the industry is not subject to any regulation, then who should be held accountable if anything goes wrong and the entire industry is affected? Shall we follow the practice of killing all chickens when we tackled the avian flu problem and close down all food establishments?

On this topic of avian flu, Madam President, I would like to talk about chickens. With regard to the recent outbreak of avian flu in local poultry farms, the authorities have acted indecisively, for the authorities would order that the markets be cleaned up every few days or so. This is a great inconvenience to poultry traders and consumers and it is not a long-term solution. The authorities should make it a policy of injecting the chickens in the local farms with vaccines in time and require the mainland farms to inject their chickens with avian flu vaccine before they are exported. Certainly, the Secretary may well say that vaccine injection will not solve all the problems. But since avian flu has become an endemic disease, chickens will contract it when the weather changes, like human beings catching the influenza. On misty days, chickens can easily become sick and even die. Provided that these outbreaks of avian flu do not lead to human fatalities, I would not agree to massive slaughters of chickens and washing the markets every now and then.

I suggest that the poultry wholesale market should process chickens from local farms and those imported from the Mainland separately. The cleaning days for local and mainland chickens should be separated as well. If this measure of separation is used in the wholesale market, then if either kind of chickens should contract the disease, that would not affect the delivery of the other kind of chickens. If poultry stalls have different cleaning days and rest days for these two kinds of chickens, there will not be any need for the market to keep a two-day stock.

As far back as the days of the Urban Council, I made the recommendation that the conditions in the markets should be improved to prevent the outbreak of avian flu. Our experience is that dead chickens are invariably found in markets with crowded conditions, for example, the ones at Yeung Uk Road in Tsuen Wan and Tai Shing Street in Wong Tai Sin. Whenever there are outbreaks of avian flu, these markets would almost have infected chickens. There are tens of poultry stalls in these markets and the Government should reduce their number

greatly, increase the space for each poultry stall, set aside additional area in the markets for slaughtering, install independent ventilation systems to let in fresh air and concentrate the poultry stalls in one area. All these would prevent the spread of avian flu.

It would be unthinkable if live chickens are not sold in Hong Kong. Live chickens are also vital to maintaining our position as a gourmets' paradise. The authorities should therefore improve their communications with the poultry traders so that they can co-operate in preventing the avian flu. Moreover, since 1997, local live chicken sellers have lost their right to choose live chickens from the Mainland for import into Hong Kong. The SAR Government should discuss with the Ministry of Foreign Trade and Economic Cooperation to restore the right of local retailers to choose live chickens at mainland farms and the right to determine the import prices of chickens. These measures would make local consumers and retailers feel that they are fairly treated.

Madam President, on the question of relaxing restrictions and deregulation, I know that many issues are perhaps outside the portfolio of Dr YOEH, but I would nevertheless raise them here. Over the past few years, the Government has often said that restrictions should be relaxed and as I have mentioned, the Government would like to adopt the principle of "big market, small government" in governance. However, on the question of 24-hour boundary clearance, the Central Policy Unit also agrees that this would cause enormous adverse impact on the local catering industry, but the catering industry may have to make some sacrifice for the common good of Hong Kong. That is understandable. Just imagine if 24-hour clearance is put into practice, as the rents and wages in Shenzhen are one eighth of those in Hong Kong, and smoking is not banned in Shenzhen, where would Hong Kong people go for dinner? I can tell the Secretary that they would go to Shenzhen. And when the Hong Kong-Zhuhai-Macao bridge is completed, they can even drive to Macao for dinner, and smoking is not banned there as well.

On the ban on smoking, I would also like to make a few comments here. The Secretary says in the policy agenda that he wishes to "ensure that the public enjoys a smokeless and cleaner environment in work and other public places through amendments to the Smoking (Public Health) Ordinance". The catering industry is scared stiff whenever it hears about a ban on smoking. The consultancy report issued by the Government last year says on the one hand that

the smoking ban in food establishments may bring a few billion dollars of income for the catering industry, but on the other it is of the view that the report by a consultancy commissioned by the catering industry is not credible. As a matter of fact, the industry has no position on this, for if a smoking ban can really increase the sales turnover, I believe the operators would have prohibited their patrons from smoking in their premises even when there is no legislation on it. For the tens of thousands of operators of food establishments would certainly know better than the Government in running their business. If the Government thinks that a study carried out by the industry which has a preset position is not credible, may I ask whether a report prepared by the Government and the consultants of the Hong Kong Council on Smoking and Health is likewise incredible? People in the industry say, "Putting aside the issue of profits, if the authorities pledge that they will subsidize the food establishments for the loss in business as a result of the smoking ban, then the operators are willing to give it a try." If the Government believes in its own consultancy report, then why does it not give the catering industry a guarantee against losses? We know very well that a total ban on smoking would only deal a further blow to the industry which is struggling for survival.

Finally, Madam President, I would like to turn to the legislation on karaokes. Legislation was enacted last year to regulate karaokes. Since 1998 when the Government stated its intention to regulate karaokes, the industry has declined as operators are worried that the new legislation would be harsh. Many people in the industry even decided to cease operation. As a matter of fact, when the legislation was being deliberated, we could see that the Government had adopted the approach of regulating prostitution, gambling and drugs to draw up the legislation on karaokes. The extensive concept of public interest was put forward, thus unnecessarily expanded the powers of the authorities. For those operators of karaokes who really engage in illegal activities, they would still carry on their business in spite of the new legislation. These operators would just need to change their way of doing business, but those law-abiding operators would be seriously handicapped by the legislation. Their business will run into great difficulties. When the Bill was under scrutiny, many departments undertook that they would be flexible in enforcement, taking account of the time required by operators to modify the decoration and furnishing to comply with the requirements at minimal costs. I hope that the departments would honour their pledge. As for me, I would follow up each case. I hope the departments would co-operate with us in this regard. Madam President, I so submit.

MR WONG YUNG-KAN (in Cantonese): Madam President, I would like to express views on behalf of the Democratic Alliance for Betterment of Hong Kong (DAB) on policies on food safety, environmental hygiene and fishery and agriculture in the policy address. In recent years, whenever we mentioned the topic of how the SAR Government dealt with food safety issues, we would think of avian flu immediately. The SAR Government has made numerous improvements since the first avian flu outbreak in 1997. It has changed the system from virtually no protection in the past to a more comprehensive monitoring system now. Undoubtedly, it has done a creditable job. However, behind this monitoring system are the efforts and sacrifices made by the industry. The persistent upgrading efforts by local chicken farms to improve biological safety conditions have already knocked some small chicken farms out of business. In order to keep up with the overall monitoring and control scheme and to make way for disinfection and cleaning work, wholesale and retail markets have to close shop for one day or even two. It could be said that the industry has suffered significant financial losses in order to ensure live poultry offered in the market meet hygienic standard.

This time around, it is specifically mentioned in the policy agenda that the Government would develop a multi-pronged strategy to minimize the risk of avian influenza outbreaks. I believe nobody would disagree with the formulation of these strategies. However, the industry is dissatisfied that the Government seems to be turning a blind eye to the sacrifice the industry has been making for the control of avian flu and ignoring the views of the industry repeatedly. Yet it has refused to hold serious discussions with the industry on how the aftermath of avian flu outbreaks should be dealt with. For example, recently, some of the chicken farms located in Ta Ku Ling and Tai Kong Po Village in Yuen Long were found infected by avian flu. According to the Government's practice in the past, the Agriculture, Fisheries and Conservation Department (AFCD) would make suitable compensation in accordance with section 6 of the Public Health (Animals and Birds) Ordinance provided that the infected chickens were destroyed, so that the affected chicken farms might be able to stay in the business with the help of such assistance. However, as avian flu struck these two farms, the Government changed its policy suddenly. It ordered the closure of the two farms and prohibited the sale of their chickens by virtue of the same Ordinance. The AFCD invoked the power under the Ordinance and ordered the owners of the two farms to surrender the poultry for destruction on the condition that no compensation would be granted.

The Government had neither consulted the industry before making the sudden move, nor explained to the industry after that. The entire process was kept in the dark. In particular, as the owner of the farm in Tai Kong Po Village refused to voluntarily surrender the poultry for destruction, the AFCD had the audacity to delay the destruction and started a standoff with the farm owner at the risk of spreading out the avian flu virus. The farm owner did not surrender his poultry until groups from the industry mediated the standoff. What made the owner most frustrated was not the serious financial losses incurred by the destruction of his poultry without compensation, instead, it was the Government's sudden change in its avian flu control practice by ordering the closure of the farm on account of violation of the licensing condition. They questioned that although the AFCD had accused the farm owner of breaching the licensing condition, the AFCD had failed to give specific explanation on which provision had been violated in the official correspondence. Besides, they did not understand why the AFCD had required the farm owner to sign papers for voluntary surrender of the poultry at the risk of spreading the avian flu out when in fact the AFCD should have the power to order the closure of the farms and the destruction of the poultry without making any compensation. The Government should explain to the industry and the public all of these sudden changes, in order to call itself an accountable and just government.

Regarding avian flu, the industry has discussed the matter with the Government for many times. After the outbreak of avian flu in April last year, experiments were conducted on chicken farms in Pak Sha, and the industry putting forward proposals to the AFCD in writing in the past several months, urging the Government to waste no time in introducing the vaccine and conducting a comprehensive vaccination campaign promptly. Why did the Government hesitate to provide the vaccine to all chicken farms in Hong Kong after avian flu had struck the Penfold Park and the Kowloon Park one after another, otherwise much social disturbances and serious financial losses as a result of the successive outbreaks of avian flu at the farms in Ta Ku Ling and Pat Heung could have been prevented? At present, some 50 chicken farms in Hong Kong are in dire straits. There are 160 chicken farms in Hong Kong, why did the Government put the remaining 50 farms at risk and make them the archery targets by just providing the vaccine to some 100 farms? I hope that the Government will not only pay attention to one side in the control of avian flu, it should also discuss with the industry.

Besides avian flu, the import of frozen poultry is also another concern of the industry. Since chilled pork imported from Thailand was found containing excessive clenbuterol, the industry has been persistently criticizing the loophole of imported meat and the failure curbing the passing off of chilled pork as freshly slaughtered pork. We believe that not only the industry was aware of the problem, even the Government knew that chilled meat may give rise to a problem of chilled pork passing off as freshly slaughtered pork on a larger scale. However, the Government initially thought that the problem could be settled by requiring the storage of chilled meat in refrigerators alone. In fact, the problem repeated again and again and the Government was unwilling to listen to the views of the industry. Not until chilled meat was found in the meat stalls of supermarkets that the Government started to require laser labels and red stamps be put on chilled chickens for identification purpose. At this point, I have this question to ask. Given that the Government has adopted this measure to deal with chilled chicken, why has it not adopted the same measure to deal with chilled meat imported from Thailand? The Government requires chilled meat be kept at a temperature between 0°C and 4°C upon importation, but chilled pork imported from Thailand is packed only in polyfoam boxes without any thermostatic device to keep the temperature at a steady range between 0°C and 4°C. As pork is turned into chilled meat, the dry ice might freeze the meat because of the extreme coldness, but other parts might not be frigid enough. May I ask what records the Food and Environmental Hygiene Department (FEHD) uses to indicate that these chilled meats has met the minimum and maximum temperature requirements?

I have to reiterate that these chilled meats should be processed and packaged just as is required of chilled chickens upon arrival, that is, they should be cut, packaged, labelled with the date of production printed on the package, kept between 0°C and 4°C upon their arrival and unpacked only by the end-user for the sake of hygiene and safety. Since the FEHD has not set such requirements, these chilled meats are arbitrarily packed in polyfoam boxes and sent to Hong Kong.

Madam President, it is stated in the policy agenda that improvement will be made to the overall control on agricultural and fisheries operations that have an impact on public health or the environment. However, this is not the end of overall food safety efforts. We should pay attention to the safety of

prepackaged food, in particular those imported food. The DAB has been paying attention to the issue of prepackaged food all along, in addition to our concern about the sale of expired food at retail points over the year. We would host a press conference on expired food in the coming Saturday. Moreover, we have also pointed out the shortfall of the labelling legislation for prepackaged food. However, the progress of the Government in making amendments to the labelling legislation has been very sluggish. For example, the labelling system for genetically modified food alone has disappointed the public after years of consultation as no major direction has yet been finalized. We hope the Government can put forward a proposal to genuinely improve food safety within the next 18 months, and we hope that it will not direct its work at the agriculture and fisheries sector alone for this will give the public a false impression that the agriculture and fisheries sector is the root of all food safety hazards in Hong Kong.

Madam President, I would like to talk about the development of the agricultural and fishery industries in Hong Kong. These two sectors remain small-scale industries which produce low-end products over the years. Honestly speaking, in view of the massive importation of agricultural and fishery products from the Mainland and Southeast Asia, products of Hong Kong are no more competitive on the market. It seems that the only thing the industry has been waiting is its own demise and obsolescence. However, if we take a look at the experience of Japan, we can see that even though their output of agricultural and fishery products are no match to China or some Southeast Asian countries, they excel in terms of quality rather than quantity, and they therefore have opened up the market for quality agricultural products. I have read a recent report that a Matsuzaka Beef Cattle was sold at \$3.25 million in an auction. I mentioned before that a tuna was sold at a price of HK\$1.5 million. Hong Kong should draw on Japan's experience and pursue development in quality and high value-addedness.

In fact, certain members of the industry have been exerting efforts of restructuring into quality-based operations and to find a way out for the industry by means of improving product quality and establishing their own brand name. The "Kadoorie Yummy Chicken" is a good example of quality chicken which is locally bred, but it is still a sheer brand name without much promotion at the present stage. The irony is that although Hong Kong is called the "Gourmets'

Paradise", efforts are only concentrated on promoting the variety of dishes, to the neglect of the promotion of quality local agricultural products. As a result of this, renowned local agricultural products have yet to enter the world market. Besides product promotion, technology know-how and the training of people are also very important. At present, the Government allocates very little resources to the scientific research and training in respect of the local agricultural and fisheries industry, which is relatively small in comparison with the Mainland or other Southeast Asian countries or regions. The resources used in the improvement of the quality of local products and training of specialized talents are even extremely inadequate.

Moreover, although some private investors are interested in the development of a quality fishery industry, they will invariably set out cheerfully and return disappointed. In the past, some farmers intended to build greenhouses and carry out organic farming in Hong Kong, but the Lands Department put up objection before or after greenhouses had been erected on the farmland. The red tape of individual government department has made a number of investors withdraw their projects. Several days ago, I visited a farm trying out organic farming, but the owner could not continue the operation. For this reason, Madam President

PRESIDENT (in Cantonese): Mr WONG, your speaking time is up.

DR LO WING-LOK (in Cantonese): Madam President, I would like to use my speaking time in this session to talk about some unhealthy phenomena arising in the medical sector recently. About a month ago, some audited surgical statistics of the Hospital Authority (HA) were leaked. As the papers only contained some parts of the entire report, the figures were inconclusive and they were just some superficial figures. Up to now, nobody had claimed responsibility, and no one was held responsible for the leakage of these figures. The HA has yet to come out with any formal explanation or clarification about the meaning of the relevant data. Consequently, the media made their own interpretations and presented their own views based on these incomplete data and fractional papers, thus giving the public an impression that if certain types of surgical operations were conducted in some hospitals, the mortality rate would be exceedingly high. The matter had raised widespread concerns and apprehensions among the public.

Not long after that, the media reported a number of so-called retrenchment measures of the HA, including the closure of some units and hospitals, and the merger of some departments. Some media even reported that certain units had to be closed down or merged with other units as a result of a high mortality rate in association with surgical operations which were below international standards. Afterwards, the person in charge of the unit alleged to be below international standard refuted the allegation and presented proof to support the fact that the unit had reached international standards. In view of all this, patients have become just as perplexed as the general public.

Was it really due to the fact that the relevant unit was "below par", or was it just a question of money that someone wanted to close the unit by using its standard as an excuse, or was it indeed just another retrenchment measure of the HA?

Subsequent development was even worse. Executives in charge of different departments and the HA management, and patients in support of different wards came out to confront the media and expressed their own views on the matter. All of a sudden, public opinions were extremely confused.

In fact, the HA has been doing good deeds for the public all along by providing us with high quality medical services. However, why have so many surprising phenomena happened in the past few months? As the representative of the medical sector, I consider it has been most regrettable. The medical sector has to maintain the stability of its service level. Besides maintaining a stable level of service, we also have to let the public see that it is highly stabilized and we are teaming up nicely. Being professionals, we have the mandate from society to provide certain professional services, and we have won the out-and-out trust of society at large. However, the recent incidents have given the public an impression that we are unable to manage ourselves. For this reason, I have to appeal to all relevant units and colleagues that we should quiet down first. Both the HA and the sector should conduct an in-depth review on the shortcomings, otherwise, the HA and the medical sector will lose the trust of the public if the problem persists.

Hong Kong is facing many unsettling circumstances and the economy has been in the doldrums for a long time. We should give the public more confidence in the medical services they receive. Madam President, I so submit.

MR TAM YIU-CHUNG (in Cantonese); Madam President, the Government is facing a serious problem of fiscal deficit, but it should not neglect the task of creating a social environment of mutual care, trust and support. The SAR Government proposes building a caring and just society, and one of the initiatives is to establish a coherent and comprehensive population policy. I believe nobody would oppose the formulation of a more open and positive immigration policy in order to absorb more talents and upgrade the competitive edge of Hong Kong. However, we should take note of the fact that we cannot and should not unilaterally consider the ageing population a burden of society in the course of formulating the policy.

The problem in reality is that the social environment and institutions are unable to cope with the drastic change in the population profile, therefore elderly people are unable to bring their abilities into full play. According to the analysis of an academic research, the average quality of the elderly population is upgraded every five years, with dramatic changes in the mode of education, bank deposits, income, spending, leisure activities, health and housing. At present, most of the elderly are healthy people. They are independent, positive, and furthermore, they are experienced, talented, and willing to keep on making contributions for the good of society. For this reason, the Government should respond to the changes in the population profile and turn its attention to the needs and views of the elderly people by improving its public policies, so as to create an "age-barrier-free" social environment for both young and old, where the elderly people can keep on bringing their abilities into full play at the personal, social and economic levels.

Last year, I moved a motion in this Council urging the Government to formulate timely strategies to improve various public policies in order to allow senior citizens to keep on giving full play to their abilities, and the motion was passed. I wish to point out that the Government should vigorously promote an "elderly-friendly" service culture by encouraging and urging the business sector to offer more services and concessions to the elderly people. As the saying goes, what is taken from society is to be used in the interest of society, so if the business sector can enhance their co-operation with social service bodies by way of making more commitment to the charitable cause, society at large could surely enjoy more harmony in return.

Another important factor, which may affect Hong Kong in the future, is the trend of Hong Kong people settling in the Mainland. The Government has

all along been short of study and counter-measures in this respect. Statistics show that about 180 000 Hong Kong people have acquired properties in the Mainland, and the General Household Survey conducted by the Census and Statistics Department also shows that 41 300 Hong Kong people have already settled down in China, among who 20% are people above 60 years of age. In view of the rapid development of the Mainland with a relatively low standard of living, settling in the Mainland after retirement would become a trend among Hong Kong people as public facilities in mainland cities are being improved gradually. For this reason, when the Government advocates an expedited economic integration between Hong Kong and Guangdong, it should also strengthen the co-operation and support between the two places in terms of social services as soon as possible.

Recently, numerous organizations have expressed concern over the issue of whether or not the Government would cut the expenditure on social welfare. In my opinion, in order to help the impoverished elderly people, the Government should also consider to set up a voucher system besides providing the elderly with direct cash assistance, so that they may use the voucher to pay for daily necessities. Furthermore, the Government may also start with rent assistance and medical subsidies. The Government should relax the restriction on elderly people in application for public housing, especially to those affected by redevelopment projects. In this respect, the Government should establish a rental remission scheme in order to genuinely improve their living condition. As to medical fees, since the living condition of the elderly was quite bad in the past, therefore most of today's elderly people are suffering from various ailments, thus they have to pay frequent visits to doctors and take medications. For this reason, medical fees are a heavy burden to them. The fact that the Government has to use the limited medical resources to help people in the greatest need should give little cause for criticism, but a lenient waiver system should be put in place in order to prevent adding to their financial burden. Even though the fiscal deficits are an acute problem at present, society should try its best to allay the worries of the elderly people by giving them more care, so as to ensure that the impoverished elderly people can spend their remaining years in security.

Madam President, the Stock Exchange of Hong Kong held a meeting yesterday and decided to abolish the minimum brokerage commission system. As a consultant of the Hong Kong Securities and Futures Industry Staff Union, I would like to express my deepest regret for that decision, as I am very much

concerned about the possible impact on the career development of the industry practitioners. I hope the Government can adopt quick measures in order to assist those employees being affected, or it would be a stain on this caring and just society of ours. I hope Dr YEOH will convey my opinion to Secretary Frederick MA.

Thank you, Madam President.

PRESIDENT (in Cantonese): Does any other Member wish to speak?

DR LAW CHI-KWONG (in Cantonese): Madam President, the topic of "Caring and Just Society" is quite interesting and originally it also appears in the policy agenda booklet. But in the information paper which the Secretary for Health, Welfare and Food gave us yesterday, the word "just" was missing and only the words "mutual care and support, healthy development" were found. While the word "just" is missing, but it is found in another paper, that is, the policy agenda of the Secretary for Home Affairs which carries the words "Caring and Just Society". So what Ms Audrey EU has said earlier is in fact information from another booklet. But why does Dr Patrick HO not attend this session?

In fact, if we look at this supplementary paper, it is somewhat related to justice, for there are parts on the handicapped and gender equality. In the area of handicapped people, if Members still recall, this Council passed a motion on May 2002 to urge the Government to adopt measures as appropriate to increase the employment opportunities of those handicapped persons with working abilities. The motion also calls for the formulation of indicators in employing the handicapped and these should be implemented by government departments, public sector organizations and subvented organizations at the initial stage, and the promotion among organizations to formulate policies and procedures on the recruitment of handicapped persons.

However, I fail to see any positive work done by the Government in this respect and so I have drafted a proposal on the policy and procedures on the recruitment of handicapped persons. Several days ago, I signed a few hundred letters to urge welfare organizations to formulate policy and procedures on this. I hope the Government can take the lead in this as well.

Another problem facing the handicapped in their job hunt is transport. I recall that back in June 2001, when the Finance Committee of this Council endorsed the funding application for the "Enhancing Employment of People with Disabilities through Small Enterprise" Project, an Honourable colleague raised a question and if I remember it correctly, it was Ms Emily LAU who expressed the concern that as the Rehabus service was inadequate, handicapped persons who managed to get a job under the Project would not be able to travel to work because no appropriate means of transport was available. And so their job hunting efforts would end up in vain and they would continue to be jobless.

Such things have happened from time to time after the funding was approved and I have felt all along that these things should not be allowed to happen. We have used a lot of resources to help the disabled to get a job and at the last moment every previous effort made becomes futile because the disabled persons do not have any means of transport to go to work. That is really regrettable. I once suggested to the Government that some stop-gap measures or services be employed to ensure that every person who has found a job and needs to use the Rehabus can be promptly provided with the service. However, to date the Government has not responded to this suggestion, nor has it taken any measure.

Another issue is the problem of the elderly. In paragraph 33 of the policy agenda of the Health, Welfare and Food Bureau, it is mentioned that the Government would devise "a fee assistance scheme to allow elders to have more choices and flexibility in using residential care services". What is being said here in effect is that the money goes with the elderly.

Though it is a viable concept, but before it can be put into practice, a number of prerequisites have to be met. So it cannot be implemented rashly. Some elderly persons do not have any relatives and they are mentally incapacitated. Even if this principle is adopted, they cannot make any choice for themselves. So we must develop a kind of independent case management system endowed with a guardian role for this kind of old persons. The system is independent in the sense that the case manager is not the one who provides care for the elderly, that is, the so-called service provider. Nor is he the one who provides assistance, that is, staff of the Social Welfare Department.

This kind of fee assistance scheme is in practice a voucher system. It has been used with satisfactory results in child care services. But it cannot be imported directly into elderly care services. The financial relationship of the elderly with their family members is much more complicated than that between children and their parents. For the elders may be financially independent or they may be dependent to some extent on their children. And those who are financially dependent on their children may not be living with them. All along, the Democratic Party is opposed to the requirement under CSSA Scheme that elderly applicants must undergo a means test together with their family members who live with them. The consistent proposal of the Democratic Party is allowing the elderly applicants to declare the average amount of pocket money they get from their children every month, and this is to be counted as the income of the elderly. Likewise, the Democratic Party opposes the introduction of a means test for family members of applicants for residential care services. The Democratic Party opines that such a practice would lead to family members of the elderly persons putting the elderly into some low-cost private homes for the aged and then the family members will sever their relations with the elderly persons so that after the elderly persons have succeeded in applying for CSSA, they can pay for the fees of residential care services with the CSSA payments. So a means test for family members of elderly persons would only serve to destroy the relationship between the elderly and their family members. It will only lead to increased expenditure under the CSSA Scheme.

The Democratic Party is aware of the fact that some elders do have a stable and sizable income and so it is reasonable to require them to pay the fees for residential care services. For example, if Mrs Anson CHAN whom we know so well should wish to live in a home for the aged, since she gets tens of thousand dollars monthly in pension, it is only reasonable that she be charged the monthly fee of \$1,800. However, such elderly persons are only a minority nowadays. Most elderly persons do not have any income and they may own assets like flats and savings. The income so generated is not stable. In order that these elderly persons can be assisted in paying the fees for long-term residential care, there must be some tools and services in the market to help the elderly to make their assets yield a stable income. In this regard, I am presently conducting an initial study with a welfare organization and the findings and recommendations would be submitted to the Government later.

Now I would like to talk about gender mainstreaming perspectives. The Democratic Party welcomes the Government's gradual incorporation of the needs and perspectives of the fair sex as a basic factor for consideration in formulating public policies and legislation, as well as putting them into practice. But this is a belated move and there is no such thing as gender mainstreaming perspectives in policy formulation at present. For example, have the officials in charge of women affairs in the Health, Welfare and Food Bureau raised the point that the introduction of a levy on employment of foreign domestic helpers may contravene the Sex Discrimination Ordinance? This is what we mean by gender mainstreaming perspectives. Whenever the government departments or their policies may touch on gender issues, the officials in charge should raise these issues.

Let me now cite an example which we may come across in our daily life. In many public places, one can find a serious shortage of female toilets. Research findings show that the time women takes in the toilet is three times more than that of men. However, male public toilet facilities are many times more than those for women, which is unfair. The result is that many women avoid drinking water in public places or try to suppress this call of nature. But this is harmful to their health. As a physician himself, the Secretary for Health, Welfare and Food should know that as he is in charge of women policy and he should be mindful of their health as well. I very much hope that the Government should make an expedient study of the laws and regulations on buildings to determine if a specified and reasonable proportion of male and female toilet facilities should be introduced. Promoting gender mainstreaming perspectives is a very important direction towards gender equality. I hope the Government, the Health, Welfare and Food Bureau in particular, can take the lead in this. Every policy should be carefully studied and come under review. This applies also to those policies which are not directly related to the Bureau. The authorities concerned should then be advised from this perspective.

Another issue is about medical and health care. In the meeting of the Panel on Health Services last Monday, I raised the issue of health care financing, which was a very important issue. Why is this issue missing in the policy address? In the policy agenda of the Bureau, the Secretary proposes to adopt a funding arrangement for the HA based on demographic changes, continue to enhance the productivity and improve the cost-effectiveness of the public health care system, review policies on medical fees and charges, and study the viability of the Health Protection Account proposal. The proposal to "review policies on

medical fees and charges" is quite sensitive to many people. People would wonder whether or not medical fees and charges will be raised again after they are raised with effect from 1 April. That should be made clear. When the Secretary replies later, I hope he can explain whether medical fees and charges will be raised or reduced when he says he will "review policies on medical fees and charges".

I doubt very much if this measure of adopting a funding system based on demographic changes would be able to solve the problem of health care financing. I really want to ask, "In the next few years, when the Government slashes all public expenditure across the board, would such a funding system still exist? Or that will it exist in name only?" When the Financial Secretary cuts government expenditure, has he forgotten that a certain agreement has been reached with the HA? Nobody would object to the idea of enhancing the cost-effectiveness of the HA. However, since the HA has been carrying out an efficiency enhancement programme for many years, plus the effect of the Enhanced Productivity Programme seeking a 5% increase in productivity, one wonders how much room there is in the HA for an increase in productivity. Measures like reducing the staff wages and benefits are only short-term measures which cannot go on forever.

Health care financing is a long-term problem and so it requires a long-term solution. The funding system based on demographic changes will simply not work. I am worried that this funding system will vanish into thin air in the next few years. The so-called financing is really another way to fleece the people. Regardless of the form it may take, whether it is an insurance, or an increase in taxes or fees, the money will in the last analysis come from the people. It is therefore necessary that the people should take part in it and only when there is more public participation that the people are willing to make contributions to the system, be it insurance, savings, tax increase or increase in fees and charges. The clustered-based medical fees and charges policy for the New Territories East is an example of adverse effects of low transparency and lack of clarity in information provided to the public. As a result, this has led to discontent and disapproval from residents of the district.

There is a kind of interactive relationship between public participation and health education. So when more people take part in the formulation of medical policies, they will be more exposed to health education. For example, if the

people are allowed to take part in setting the priorities of medical services, it will indirectly increase their understanding of the same, provided that sufficient information is given and that their participation is informed. Most people would think that they need to consult the doctor when they catch a cold or coughs. They may even ask the doctor to give them medicine or an injection. Many people say that the cough syrup from the HA is excellent. I have pointed out many times that consultations for coughs and cold should be taken away from the priorities of the services provided by the HA if such priorities are set. The HA should not give away medicine for coughs and cold. The public should be educated about this. Of course, Dr LO Wing-lok may have some reservations about this idea because if there are no such patients, many general practitioners in his profession would have 30% to 40% less patients. But it is important for the HA to educate the public on the priorities of medical services and how medical services should be properly used. So this is an important step in letting the people take part in formulating priorities of medical services.

Health care financing is a vital issue and no piecemeal approach should be taken. I do not wish to see the number of medical and nursing staff reduced as a result of financial reasons, nor do I wish to see the number of patients waiting for their turn to get medical care and their waiting time increased.

I so submit. Thank you, Madam President.

MR NG LEUNG-SING (in Cantonese): Madam President, as everyone knows, Hong Kong underwent a period of rapid economic development in the past and established the same time a sizeable and systematic social safety net and committed large amounts of public resources to education, housing, health care, social security, and so on, to provide protection to the basic living of the people and equal opportunities for upward mobility. I believe that, in the interest of social stability, Hong Kong has to maintain an effective social safety net, but at the same time, the public resources involved must be utilized more prudently. On the one hand, such utilization must be commensurate with the level of economic development and accumulated wealth in society and a reasonable mechanism should be established to enable adjustments in line with changes in the sustainability of society as a whole. On the other hand, the targets of financial assistance should be better defined so as to use public resources properly to assist members of the public in true and pressing need and encourage recipients to continuously seek self-enhancement and improve their lot.

In health care services, for example, it should be the direction of the Government to promote among all members of the public an awareness of investing in their personal health instead of relying on public resources to foot all costs of health care services. In the long run, it is the general trend to establish a system of medical insurance in society as a whole. Even in the short term, it is still possible for the Government to consider formulating measures to encourage more members of the public with the means to take out medical insurance policies to reduce their use of public health care resources. On public housing policy, the aim should only be satisfying the basic — I stress that it should be basic — housing needs of members of the public in need, and this kind of benefit should not be transformed into a lifelong and permanent one. Although the policy area in this session is not housing, we are talking about all the resources that society spends on welfare. In order to make good use of public housing resources and recycle them in future, it is necessary to develop an appropriate allocation mechanism to deal with the situation of beneficiaries with regard to the changes in their means and abilities at different stages and times. Concerning the Comprehensive Social Security Assistance (CSSA) Scheme, the Government should also examine measures which can prevent abuses as far as possible. I believe that one option that can be considered and has been much discussed by the community is to reduce the cash assistance and replace it with assistance in kind or vouchers when providing essential protection to recipients to meet their basic needs, so that public resources in this area can be used to truly assist needy members of the public and help them solve their difficulties in meeting their basic needs. This will avoid the likely abuse of cash payments and the negative effect on the eagerness of recipients' in looking for opportunities to re-enter the employment market.

Under the present economic situation, the issue of assisting low-skilled workers facing employment difficulties in the midst of economic restructuring is related not only to the welfare issues being discussed in this session, but also to the economic portfolio under the charge of Secretary Stephen IP. Since the two areas overlap, I hope that the President will allow part of my speech to overlap with the other area. If the work in this area is tackled properly, it will contribute to the stability and harmony of society and relieve the pressure on social welfare expenditure as well as alleviating the unemployment problem, thus giving impetus to local economic activities and the consumer market. In this connection, I have always suggested to the Government that subsidies in the form of on-the-job training should be provided to local domestic helpers and pointed

out that since the Government can provide the Youth Work Experience and Training Scheme to young people, similarly, it should not neglect the need of adult low-skilled workers. I am very pleased to find that the Government has recently announced a subsidy plan similar in concept to my proposal, that is, the Re-employment Training Programme for the Middle-aged, which provides a monthly subsidy of \$1,500 to middle-aged people in helping them become re-employed. I applaud the Government's resolute decision-making in this area but also wish to point out that there is really room for increasing the resources committed to the programme and the number of beneficiaries. On the other hand, when considering the introduction of this kind of employment programmes, the Government has to consider also if such schemes should be as focused and well-defined as possible. I believe that since the expenditure on social welfare is already substantial, the programme should concentrate its resources on trades that can offer more jobs, in particular trades that allow easy access by people unemployed for a long time, CSSA recipients and low-skilled workers, for example, job types such as domestic helper that can offer hundreds of thousands of vacancies. In this way, the mismatch in the local manpower market arisen as a result of economic restructuring can be solved more effectively. If tens of thousands of people can be enabled to re-enter the employment market, not only will this reduce the pressure on social welfare expenditure, it will also induce a corresponding improvement in the retail market and the overall social atmosphere and confidence. This suggestion is worthy of the Government's reconsideration and implementation.

Madam President, I so submit.

MRS SELINA CHOW: Madam President, I beg your indulgence in allowing me to speak on a subject which may not be immediately relevant to the part in question, but I will demonstrate that it actually is, but at a slightly later point.

Media reports on yesterday's debate have generally interpreted a position of the Liberal Party which demands clarification.

Without exception or qualification, we have been reported to be the only Party which supports the Government in increasing taxes. Strictly speaking, this is not correct due to a very important proviso that we have attached to submissions that we have made to the Government.

We have stated that the first thing the Government must do in order to address the deficit problem is to effect savings in public spending. If, having done that, the Government still needs to resort to increasing revenue, then certain tax measures, though painful, could be considered. In short, our support for any revenue measure is not unconditional. It is only when we are satisfied that the Government has exhausted all means available to it to cut expenditure would we be prepared to lend our support.

The Comprehensive Social Security Assistance (CSSA) is clearly a case in point. I have heard many a comment in the community that the CSSA particularly for the able bodied must be reviewed and reduced. Before 1999, rates of payment have been increased according to the rate of inflation. Since that year, it has been frozen as deflation hit us. However, it has not been adjusted according to the drop to the Consumer Price Index. In other words, the purchasing power of the recipients has been increasing since then, while falling wages in the private sector have eroded the standard of living of the large part of the working population. A family of four is receiving around \$10,000 a month, which certainly surpasses the earnings of many one-income or, in some cases, two-income families. I understand that at the beginning of the school year, a family of six or seven with school age children could receive over \$20,000 of subsidy. Such levels of subsidy would dampen the initiative to maximize one's income through work.

The Liberal Party has always advocated that the Government's role is to look after those least able to look after themselves. We believe that the time has come for the Government to examine whether the present levels of subsidy in the CSSA should be adjusted, and whether the practice of freezing and not downward adjustment of subsidy at times of deflation should continue. In determining the fair levels of subsidy, we believe that both the fluctuation of the Consumer Price Index and prevailing wage levels should be taken into consideration.

Thank you, Madam President.

PRESIDENT (in Cantonese): Does any other Member wish to speak?

MR MICHAEL MAK (in Cantonese): Madam President, I find the Chamber now rather forsaken, but I hope the Secretary will not feel disappointed as Members will usually save their energy for the latter part of the debate. The earlier part of the debate is on the economy and the latter part on the political system, so we can expect issues such as those on the political system or Article 23 of the Basic Law to arouse a lot of discussions and heated arguments. However, as a representative of my sector, I must place greater emphasis on the present policy area.

Madam President, what does caring mean? MENCIUS said, "Do reverence to the elders in your own family and extend it to those in other families; show loving care to the young in your own family and extend it to those in other families — do this and you would find it as easy to rule the world as to roll something in the palm of your hand". Unfortunately, the entire policy address is an outcome of collusion between the Government and businessmen. Not only is it short on measures of benevolent governance, it has even fallen short of basic ethics like respecting the elderly, caring for the young and assisting the vulnerable. Moreover, it has linked expenditure on health care to the fiscal deficits, evidently in an attempt to "commercialize" health care and treat the health of the public as a commodity to be traded. How can a government that fails to protect the socially disadvantaged and links health care services for the public to cost-effectiveness talk about building a just and caring society?

The policies on medical and health care services introduced by the Government are merely new wine in old bottles without any packaging. The Government has disregarded the difficulties and problems faced by the health care sector and failed to review the effectiveness of its existing policies or seek to do better. The Administration still cannot establish any effective mechanism to make those with the means shoulder some of the cost of medical care. It still advocates strengthening primary medical care — and I mean primary medical care, not primary health care — obviously failing to realize the long-term importance of primary health care and it has not lived up to its role as the co-ordinator of primary health care services. The Government has still not given up its hope on a Health Protection Accounts scheme and takes the high social costs brought about by moral hazards lightly. It does not have any good plans or sound measures to improve the skewed utilization of public and private health care services, yet it keeps cutting the manpower for public health care services. It has only a hollow plan to incorporate Chinese medicine into the public health care system but not any strategic plan to train personnel to tie in with this

arrangement. I do not know from where the manpower will come when it is needed. I am afraid this will become yet another high, grand and empty policy that will become another laughing stock.

The Chief Executive mentioned in the policy address that a long-term and sustainable funding arrangement would be worked out for the Hospital Authority (HA) to ensure that quality health care services could be provided to the public. May I ask the Government what it means by sustainable and long-term funding arrangement? Does it mean that the existing funding arrangement is neither long-term nor sustainable? As a matter of fact, in November 2000, the Legislative Council gave the Government approval to increase the funding to the HA each year according to the changes in population to cope with the public's demand for medical services. It was estimated then that the funding could be increased by 2.3% per annum in the ensuing triennium from 2001-02 onwards. However, because of the deteriorating fiscal deficits, the Administration has to cut funding to the HA by 1.8% instead, as a result even the HA has incurred a deficit. In what way can the Government maintain quality medical and health care services?

The population of Hong Kong has been increasing, from 5.67 million in 1991 to 6.7 million in 2001. At the same time, we are facing the problem of an ageing population. The number of people aged 65 or above rose from 480 000 in 1991 to 750 000 in 2001, and from this we can see that the public's demand for public health care services will be very great. In view of this, the logical course of action for the Government is to increase its expenditure on health care services; however, it has done exactly the opposite by reducing health care expenditure and manpower. Is it not being inconsistent in words and action and being hypocritical?

In June last year, I moved a motion in the Legislative Council calling on the Government to improve the imbalance in the utilization ratio between public and private medical services. Unfortunately, the Chief Executive did not mention any policy in his policy address to improve the imbalance in the utilization ratio between public and private medical services. Facing the existing problem of a serious imbalance of 96 to 4 in the utilization ratio between public and private medical services, the Government certainly appears to be powerless, yet it still insists on cutting the expenditure on health care. Furthermore, the study on an effective way of health care financing has not yet been completed. This will only eventually force the health care service sector into an impasse.

It can be expected that in addition to the serious skew in the utilization ratio between the public and private medical sectors, the continually flagging economy without any recovery in sight will only drive the demand for public health care services up substantially. If the Administration continues to implement the second voluntary retirement scheme (which should be described as offering "a meal on pigeons"), it will lead to a drain of experienced senior members of the sector, as well as a further strain on manpower in the health care sector, thus increasing the workload and pressure of public health care personnel, eventually creating a vicious cycle that affects the quality of service.

The Government is already grinding its axe and aiming it at the hospital merger programme. The HA in fact already has plans to implement the programme by firstly closing the Heart Centre in Grantham Hospital, then the Nam Long Hospital in 2004 as well as merging the Tai Po Hospital with the Nethersole Hospital in Tai Po. It is said that an honest person will not do anything underhand. Why did the Government not say a single word about the closures and mergers in the policy address? Is it because the Government knows that it is in the wrong and also knows full well that such measures will arouse the concern of the public and affect the quality of service, therefore it is closing the hospitals secretly? The population in Hong Kong is on the increase, but the number of hospitals is decreasing. I really cannot understand the Government's way of thinking. May I ask the Government how it can inspire public confidence in its ability to safeguard the lives and health of the public?

The population in the new town on Lantau Island is increasing and the existing medical service definitely cannot meet the needs of residents on Lantau. However, the Government has dragged its feet on giving the green light to the construction of a hospital on Lantau Island, evidently treating the health of residents on Lantau on an unfair basis. I find this most regrettable. Health care is a basic necessity and the hospital is a place where lives are saved, where the public seeks protection for their lives. I urge the Government not to use the fiscal deficits as an excuse to cut its expenditure indiscriminately, brandishing its knife and slashing it out at hospitals. Such action will surely endanger the lives and health of members of the public.

Madam President, the Government has not tried to find any good strategy to boost the economy, instead it has sought to cut its expenditure indiscriminately and even set its sight on health care on which the health of the public depends. I find this very disappointing.

Madam President, concerning the social welfare problem, which has received a lot of attention, I have read the booklet and then the document which the Secretary, Dr YEOH Eng-kiong provided to us and found that this area is only dealt with very briefly, nor did I find anything worth discussion. The only problem that I am concerned about is that of Comprehensive Social Security Assistance (CSSA). The Secretary should have heard by now the views of the public, that they hope the Secretary can refrain from saying that the CSSA nurtures lazy bones when he conducts any study or review. Sometime ago, we visited families on CSSA and found them to be in a very desperate plight. In this connection, I hope the Secretary can follow our example by making more frequent visits to appreciate the situation of CSSA families. I know that there are indeed instances of abuse of CSSA, but I am sure the number is not great and only a very small minority of families on CSSA is involved.

The policy address also dealt cursorily with the issue of how to establish an effective and sustainable safety net, in particular, how to assist people and families in financial difficulties through CSSA, but the details are totally absent. It is deplorable that on such urgent social problems as the persistently high unemployment rate, ways to free owners of negative equity assets from their plight and enhance social cohesion, the SAR Government seems to be short on any special or well-conceived proposals or measures to assist the people concerned. As regards the problem of suicide, for example, which remains serious, I moved a motion on this issue the year before, but it seems that there has not been any improvement after the debate. In fact, I have serious doubts about the Government's perception on the value of life, and if Members will excuse me for being frank, I think the Government's attitude is as cold as the weather of late.

Madam President, young people are the future of society, but they and we are now beset by the problems of drug abuse and unemployment of young people. The incidents during Christmas and the New Year have also sent a very clear signal to society, that the youth problem cannot be overlooked. Unfortunately, the policy address touched on the youth policy only like a dragonfly skimming the water surface, without putting forth any specific proposal to solve the youth problem. This is indeed worrying.

How can we cherish any hope that a government which fails to sense the anxieties and needs of the public will build a so-called just and caring society? In spite of this, we still hope that the Government can implement one of the

measures it has proposed in the policy agenda, that is, to "ensure that the public enjoy a smokeless environment in work and other public places through amendments to the Smoking (Public Health) Ordinance". I hope the Government will press ahead with this and not be deterred by the surveys conducted or the threats made by certain groups and be stopped in its efforts in this area. Here I hope that I can fight for a better lot for non-smokers. Thank you, Madam President.

MR BERNARD CHAN: Madam President, the Chief Executive admitted in his policy address last week that the economic situation we are facing is severe and unprecedented in decades. At times of difficulties, we should not forget the underprivileged in society. Mr TUNG was right to put "caring and just society" as one of the five guiding principles in this policy agenda.

The Government pledged to create an environment in which all people can get every opportunity to develop their potentials. It promised to strengthen family solidarity and foster mutual care and support in the community, so that individuals have a network of care, trust, support and reciprocity.

I am glad that the Government is committed to building a caring and just society. This direction is correct. But we have yet to hear concrete measures to achieve this. The Government should formulate concrete targets and measures whenever possible. It should also consider such areas as strengthening family functioning and promoting social cohesion when it is formulating policy of all kinds.

Promoting social cohesion is of great importance to our society at the moment. With a huge deficit, we can expect more grievances and less harmony in society.

The Government may announce cuts in welfare payments in April. Although officials have emphasized that any adjustment to the Comprehensive Social Security Assistance (CSSA) payments would be linked to the deflation rate and that quality of living of the recipients would not be affected, there are still grave doubts about the welfare of the poor.

The number of people getting the CSSA has jumped by about 48% since 1997 to more than 260 000. The budget for the payouts also jumped from \$7 billion in 1996-97 to \$16 billion this financial year.

It is impossible to make a very generous payment out of the existing low tax rates and narrow tax base. But it is important that we have a basic safety net so that the needy will not be ignored and the quality of their living will not be undermined. This means that the Government and the welfare services must make hard decisions and concrete resources where there is most need or where they will do the most good.

Madam President, at a time of economic downturn, more people may become self-centred and pay less attention to their social responsibility. We need to ask: How can we promote social cohesion, strengthen social trust and network?

The Hong Kong Council of Social Service which I chair has launched a Caring Company Campaign. The response is overwhelming. Last month when the first round of our campaign finished, we received hundreds of applications. Applicants include almost all kinds of companies, big or small. We are glad to see the good response, but we are not contented. Because we aim not only at building a caring company, but also a caring society. It is important that the underprivileged are not forgotten. I hope that visits by the better off in the community to the less fortunate, for instance, will help increase mutual understanding and build a caring society.

Madam President, the concept of care implies far more than lip service. Yes, it is clear that resources for social programmes will be limited in the future. It is clear that not only the CSSA recipients, but also the service providers will have to face a difficult time. Non-governmental organizations will need to work on savings as they are going to get less assistance from the Government. Thus, I sincerely hope that the Government will consult widely on any cuts to the service providers.

Madam President, as Mr TUNG said in his policy address, we are all in the same boat and we should, therefore, support and care for one another. Thank you.

PRESIDENT (in Cantonese): Does any other Member wish to speak?

(No Member responded)

PRESIDENT (in Cantonese): A total of 16 Members have spoken in the second session. If no other Member wishes to speak, Council will now be suspended for 10 minutes. The public officer will speak when Council resumes.

5.15 pm

Meeting suspended.

5.30 pm

Council then resumed.

PRESIDENT (in Cantonese): Council now resumes to continue with the second debate session. The public officer will now speak. He has up to 45 minutes for his speech.

SECRETARY FOR HEALTH, WELFARE AND FOOD: Madam President, the Chief Executive has announced the policy agenda under five guiding principles, one of which is a "Caring and Just Society". I wish to thank Members for expressing their views on this important topic, and would like to take this opportunity to elaborate on the policies of the Health, Welfare and Food Bureau in this context, and to respond to the points raised by Members.

The multi-pronged approach espoused by the Chief Executive in his policy addresses in recent years, of fostering economic growth, facilitating human investment and increasing social investment together, provides the best environment for people to leave the poverty net. Healthy economic recovery and a broader economic base are the keys to lifting the standard of living for all, including those with little or no income.

Human and social investment through education, training and retraining will raise the capability, productivity and competitiveness of our workforce, and help those unable to benefit from the changing economy in the short term. By providing opportunities for upward social mobility, everyone by exercising their talents and by working hard can raise their income, improve their standard of living and climb up the social ladder over time.

In the face of the impact brought about by the necessary economic restructuring, our focus must be on fostering an environment which encourages and provides opportunities for upward social mobility. At the same time, to take care of the socially vulnerable, in particular those with limited capability to achieve this upward social mobility, specific help is required. To achieve this, we have in place various policies and programmes to secure an individual's basic standard of living, to help him improve his position and to provide him with opportunities for economic and social participation. In this way, we help the socially vulnerable by enhancing, not impeding, their will to be self-reliant. To do otherwise would not be in the individual's nor the community's longer-term interests.

Before embarking on specifics, I would like to say a few words about our social philosophy, since this will enable Honourable Members and the community to understand and see the Government's policies and programmes in the appropriate context. Our vision for a "Caring and Just Society" celebrates the rich diversity of our community, recognizing that each individual is endowed with different strengths. We aim to create an environment in which all people, including the socially disadvantaged, are provided with equal opportunities to develop their potential to the full, thereby enabling them to participate and contribute to our economic and social life. The Government sees its primary role as helping people to enhance their ability to help themselves and to boost their willpower to do so. In this regard, it assists people to deal with challenges and difficulties which arise, thereby enabling them to participate fully in and contribute to, the life of the community.

By way of elaboration, I wish to highlight four pillars of our social philosophy which embrace the specific social programmes that the Government pursues and members of the public benefit from every day. Firstly, our investment in the different domains of human development provides opportunities for every person to develop his or her potential and enables all to participate in and contribute to the economic and social life of Hong Kong. Secondly, we fulfil our special social responsibilities to the disabled, the disadvantaged and vulnerable members of our community by providing specific targetted programmes, additional supports and targetted assistance to enable them, in particular, to develop their potentials and participate fully in the life of the community. Thirdly, for individuals who are economically inactive because of age, illness or disability, and for individuals who are in need of financial assistance because of unemployment, we ensure that our social security schemes

provide a safety net to meet their basic needs and help those able-bodied recipients gain self-reliance. And finally, it is our determination to strengthen the social fabric of our community by fostering mutual care and support, and building the social networks necessary for both individuals and families to flourish.

It is important that we continue to invest in the human development of each person, with the clear objective of providing the resources necessary for people to ultimately help themselves. The approach that we adopt is integrative, longitudinally throughout an individual's life and horizontally, co-ordinating the different dimensions to accommodate the unique circumstances of each individual.

The primary structure for achieving this lies in our education, health and other social services. To take one example, on the health front, we recognize the importance of linking together and supporting the critical stages of human development and life events — the physical, psychological, emotional, social and spiritual health needs. The investment is throughout the life of an individual, for example, in terms of influencing the state of health of parents at the time of conception, the early childhood and adolescence development. And throughout these early formative years, the educational sector, which also benefits from substantial government investment, has a vital role to play in developing and nurturing the cognitive skills of the young. This, in turn, is supported by our many welfare programmes which provide services for all groups and specific disadvantaged sectors which complement the work of the education sector. Collectively, these programmes in the health, education, housing and welfare sectors provide support to individuals in need, throughout their lives where necessary, but always with the objective of enabling them to achieve self-reliance.

In doing so, we recognize that individuals are not starting on the same footing and the situation of each person differs. Indeed, many vulnerable groups have their own special strengths which we must encourage and develop. Areas of weakness need to be addressed and arrangements made to support individuals. All of this is done with a view to enabling them to contribute to and benefit from the wealth generated by society as a whole. In this context, the Government's role is one of an enabler or facilitator. As our guiding principle in developing social services is to build a caring community based on self-sufficiency, dignity, harmony and happiness, multiple and different, but

complementary programmes and approaches are required to enable the strength and the ability of each person to flourish and grow. With this support, people will be better able to take responsibility for themselves and their families.

Hong Kong is a caring and compassionate society underpinned by the important pillars of the family and the community. The family remains a vital component and its successful functioning is one of the best guarantees for an individual to be able to contribute positively to the community. We are obviously very sensitive to the plight of individuals in the community who face adversities in the new economic order through, for example, the loss of jobs or relationship problems. However, the family should always be the resource of first resort for an individual. The warmth and stability of relationships within families, however constituted, is what counts in nurturing and supporting its members. There is no substitute for an effective functioning family. The Government is certainly not a substitute. In addition, the community's social network can play a vital role in providing further support and help individuals to ride out the difficulties and challenges faced. In this context, the Government's role is a supportive one. I see it as our responsibility to strengthen family solidarity, enhance partnerships amongst various sectors and foster mutual care and help in the community so that individuals are embedded in a network of care, trust, support and reciprocity. All must work together to ensure that no individual is left alone to face adversity. And every member of society should be prepared, especially during these difficult times, to offer mutual help and support to each other. By coming together, much more can be achieved as any team player knows.

The Government is taking an active role to encourage and facilitate stronger bonds between the Government, non-governmental organizations and the business sector with the specific aim of fostering mutual care and help throughout the community. Indeed, this was the thinking behind the launch of the \$300 million Community Investment and Inclusion Fund last year. The promotion of volunteerism is also an important tool in furtherance of this aim, and I am pleased to see that more and more people in the community are participating whether in terms of giving their time or money. Taken together, these contribute greatly to building up our stock of social capital which should be regarded alongside our economic capital, as a much valued community asset.

Investments to promote and enhance the functioning of the family and to build up social capital generate long-term and valuable gains for society and should, therefore, never be undervalued.

This year, the Chief Executive has talked about shared responsibility to tackle the fiscal deficit. Alongside this, he has firmly reiterated our continued commitment to assist those in need of support and to take care of the disadvantaged in our community.

Over the years, we have made substantial investments in our social services. Recurrent expenditure on our health and welfare programmes has risen from \$26 billion and \$20.3 billion respectively in 1997-98 to \$32.4 billion and \$32.1 billion respectively in the fiscal year 2002-03. If we also take account of housing and education programmes, the Government's expenditure this year in the four programme areas will account for about 57% of total recurrent public expenditure.

Clearly, the fiscal deficit problem must be addressed now, and tackling this issue will be one of the Government's top priorities. If public expenditure continues to grow unchecked, we will have no alternative but to keep on raising taxes and increasing fees, thereby channelling more and more resources to the Government. Such a move may result in less efficient use of community resources and a deteriorating business environment. Therefore, it is not realistic to expect the substantial growth in expenditure on social services in the past decade to continue.

As I told Honourable Members on Monday in the Panel on Welfare Services, our priority is to rationalize, reorganize and re-engineer the limited resources so as to make the most effective and efficient use of them. Over the next months, we will critically examine how best to achieve the savings whilst minimizing the impact on the community.

I should now like to briefly highlight some practical examples of the specific measures which the Government has put in place to help provide opportunities for individuals to fulfil their potential. My focus will be primarily on the welfare programmes and I begin with social security, which many Honourable Members have referred to.

The Government is committed to providing a safety net to look after those least able to look after themselves, including the elderly, the ill and the disabled. Over the past year, social security spending has increased by 8% and it now accounts for 11% of government recurrent expenditure.

Our social security schemes are non-contributory and funded from general revenue. The Chief Executive made clear in his policy address that the Government would maintain a simple and low tax regime. We, therefore, have a responsibility to ensure that our safety net, particularly the Comprehensive Social Security Assistance (CSSA) Scheme, is effective and sustainable in the long run and that limited public resources are used in the most optimal manner to meet the community's needs.

Over 30% of the CSSA cases involve able-bodied adults. It is the Government's objective to support, not impede their will for self-reliance. To ensure that the CSSA can serve as a springboard to self-reliance, we will intensify our existing support measures to enable the CSSA recipients to go back into the workforce.

As regards support for needy elders, at present, over 600 000 older persons are receiving financial assistance through either the CSSA or the Old Age Allowance, with an estimated expenditure of \$11.8 billion in 2002-03, representing an increase of about 50% compared to the year 1997-98. Our objective is to develop a long-term sustainable financial support system that better targets resources at the elders most in need, drawing reference from the "three pillar approach" recommended by the World Bank for old age financial protection. So contrary to some Members' views as expressed in this debate, we are, in fact, looking at this income protection for older persons.

The CSSA and the Social Security Allowance rates have remained frozen since 1999, despite continuous deflation. We informed the Finance Committee of the Legislative Council that the rates would remain frozen until March 2003, pending a review of the payment rates and related matters. We have explained on various occasions to Honourable Members that there is room for a deflationary adjustment of 11.1% in the standard payment rates in accordance with the established adjustment mechanism, based on the movements of the specially compiled Social Security Assistance Index of Prices. So this reflects what is actually required by our social security recipients and is not the General Consumer Price Index. The Social Security Assistance Index of Prices is specially compiled to reflect the needs of the CSSA recipients. The adjustment is meant to restore the buying power of the benefits to their originally intended level to provide a basic standard of living to meet basic and essential needs. It is not and should not be regarded as a welfare cut, because it maintains the same purchasing power to maintain the standards of living intended by the CSSA Scheme.

The 1996 CSSA Review examined the adequacy of the CSSA rates for different categories of recipients. This is one of the points that Members raised in the motion debate earlier. The findings showed that the CSSA rates for the elderly were adequate to meet recipients' basic and essential needs. Since then, elderly recipients living in a family were given an increase of \$180 from April 1996 in their standard rates. The standard rates for the elderly were also increased by \$380 in April 1998 to encourage them to participate in more social activities. All in all, with inflationary adjustments and real improvements made in recent years, the CSSA payments for the elderly should provide for a better than basic standard of living. In addition, the CSSA elderly recipients also receive free medical services in public hospitals and clinics. There is also a very well established network of welfare services for older persons in Hong Kong providing heavily subsidized community and home-based support, including home help and meal services.

The majority of our elderly are independent and healthy. For those frail elders who have long-term care needs, we are committed to providing them with quality and cost-effective care, and appropriate support for their carers.

The objectives of our family and child welfare programme are to preserve and strengthen the family as a unit, to develop caring inter-personal relationships, to enable individuals and family members to prevent personal and family problems, to deal with them when they arise, and to provide for needs which cannot be met from within the family. At an annual expenditure of \$1.8 billion, this programme provides a comprehensive range of services, including casework, life education and various support services for special family groups. We will continue to strengthen and support the family in a more comprehensive, effective and client-oriented manner. As outlined in our policy agenda, under the direction of a child-centred, family-focused and community-based approach, we will continue to develop a new service delivery model in the form of integrated family service centres, which comprise Family Resource Unit, Family Support Unit and Family Counselling Unit. Together, these provide a continuum of preventive, supportive and remedial services. The aim is for family services to be made more accessible to the families in need, to better identify problems early and intervene appropriately, and to better identify and meet the different needs of different families.

The objective of our youth welfare programme is to help young people, in particular those at risk, to become responsible and contributing members of our

society. At an annual expenditure of \$1.3 billion, this programme provides a full range of developmental, preventive, supportive and remedial services to assist our young people to reach their full potential and become responsible and contributing members of society.

The objective of providing suitable rehabilitation services, support and assistance to people with disabilities is also to enable them to develop their potentials and participate fully in the community. At an annual expenditure of over \$16 billion, this programme ranges from education and training to employment, transport, community and residential care. As outlined in our policy agenda, we will, in particular, improve accessibility for people with disabilities by enhancing guidelines for barrier free access. Recognizing the importance of full participation of people with disabilities in the community, the Government has drawn up an action plan to develop, in a progressive manner, a barrier-free environment for them. Continuous improvements will be made to enhance accessibility of buildings, roads, and so on, as well as the public transport system.

Turning to health, our policy objective on health services is to develop and maintain in Hong Kong a health care system which protects and promotes the health of the population, which provides lifelong holistic care to each citizen at affordable prices, and which is financially sustainable in the long run.

Members will remember that in our consultation document issued in the year 2000, we had three strategies for long-term financing. The first is to continue to improve productivity in the public sector, and the measures that the Hospital Authority is pursuing are really consistent with these productivity measures. They are in no way cost cutting measures. They are really making sure that the finite resources available continue to meet the needs of the community, in response to changing technologies and changing ways of delivering services. So the closure of certain institutions should not be a concern if they are no longer needed. These are the issues that the Hospital Authority are dealing with.

The second component of the long-term financing strategy relates to better targetting of our subsidies for public hospital services, and this is reflected in the proposed fee restructuring exercise that we introduced to Members earlier this year.

The third would be a longer-term financing system. As we have discussed previously, there are really limited options. The social insurance proposed by the Harvard consultants was rejected by almost every sector of the community. The only option left really is the Health Protection Account which is a saving scheme, because voluntary medical insurance has not been shown to be an effective mainstay public financing system in any part of the world. We will certainly come back to this Chamber again later when we have completed our studies for the Health Protection Account. We can certainly revisit the option for longer-term financing. As I have said in the Panel on Health Services in the past, we are quite open in terms of revisiting which options are best for Hong Kong. But certainly, the options are limited.

In the restructuring of the fees and charges in public hospitals and clinics, we have ensured that fees continue to be affordable to all sectors of the community, so as to make sure that no one would be denied adequate medical treatment because of lack of means. We have an effective fee waiver system which ensures that the socially disadvantaged and financially vulnerable, who have difficulties paying even for the currently highly subsidized medical fees and charges, are not denied of appropriate and adequate medical care.

Maintaining good health is a personal responsibility. The promise of good health cannot be achieved without the individual's personal actions and contributions through early planning for the individual's long-term health care needs and the adoption of health-promoting behaviours and lifestyles. The Government's role in preventive care is to provide the necessary information, encouragement and infrastructure to enable people to control and improve their own health. We will continue to oversee the development of preventive care, identify and assess the impact of social and environmental variables to health, protect health through legislation and regulations, provide services ranging from disease surveillance and prevention, health education and promotion, to immunization and health screening.

Over the last year and in the next few years, the services which the Department of Health provides for expecting mothers, babies, adolescents, women, men and elders will be re-engineered into a life-course approach, strengthened and expanded to enable a wider coverage in the community, and new services added to enrich the comprehensiveness of the health promotion programme.

In addition, we will also take forward other important issues such as:

- regulating and developing Chinese medicine and introducing Chinese medicine into the public health care system;
- ensuring that the public enjoy a smokeless environment in work and other public places through amendments to the Smoking (Public Health) Ordinance;
- protecting the public from misleading or untruthful claims through amendments to the Undesirable Medical Advertisement Ordinance; and
- safeguarding the health and safety of the public by developing a regulatory framework on the supply and use of medical devices.

On women, the Government is committed to promoting the well-being and interests of women in Hong Kong. On the advice of the Women's Commission, we have adopted a three-pronged strategy of gender mainstreaming, empowerment of women and public education in order to create an enabling environment to develop women's full potential and to build up their capacity.

In respect of gender mainstreaming, we will seek to incorporate women's needs and perspectives into the Government's policy making, implementation and legislative processes, where appropriate, by means of an analytical tool. And, we shall continue to collaborate with local tertiary institutions to provide gender-related training to civil servants to enhance their sensitivity towards gender issues and women's concerns and to facilitate their gender mainstreaming work.

An important part of the empowerment process is to facilitate women's full and active participation in all aspects of community life and decision-making processes, and participation in government advisory and statutory bodies is a crucial aspect of community involvement. We will work with other Bureaux to enhance women's participation in these bodies. This will allow the views of both genders to be more fully reflected and considered.

As part of our efforts to create an enabling environment, we are working with the Women's Commission to launch a public education programme to raise

public awareness of gender issues and to reduce gender stereotyping and deep-seated misconceptions about the roles, values, images and abilities of the two sexes.

During this debate, a number of Members have voiced comments over the recurring avian influenza outbreaks. I would like to stress that avian influenza virus exists in nature and cannot be eliminated altogether. As long as we have live chicken trading at the retail level, there will be a risk of avian influenza occurring. Our strategy is to minimize the risk of outbreaks at all levels and, certainly, to prevent any of these to spill over to affect human health. We have in place a comprehensive and sensitive surveillance system to detect the presence of the virus. We also have a package of measures to prevent the virus from entering the production and marketing chain as far as possible. We constantly review these measures to see if and how we can further improve our preventive capability in the light of the changing environment.

Because of the endemic nature of the disease, depopulation is not necessarily the most appropriate course of action to take in dealing with an outbreak situation. We have deployed other measures such as placing the affected birds under quarantine, extending the vaccination scheme to the rest of the birds in affected farm and the birds in the surrounding farms, and so on. These measures have been effective in containing the spread of the disease.

This should not be seen as being unfair to the farmers, as they also have a very pivotal role to play to prevent their farms from being infected by implementing and maintaining heightened biosecurity standards. In the Panel on Food Safety and Environmental Hygiene earlier this week, I did report to Members that when I visited New Zealand a few months ago, they did not even permit me to go to the poultry farms, because they required any visitor to be quarantined for a week before they could visit a farm. This requirement was not laid down by the Government, but by the trade itself, because the trade is very concerned about their own standards of biosecurity to make sure that infections are not brought in. So the primary responsibility for keeping avian influenza out does not rest with the Government, but with the trade itself. In the event that individual farmers have encountered financial difficulties, the Agriculture, Fisheries and Conservation Department stands ready to provide assistance by making use of the existing loan scheme to tie them over a difficult period.

Some Members have also questioned whether we should have a comprehensive vaccination of all chickens in Hong Kong as the solution to the avian influenza problem. It is important to note that it is internationally recognized that the mainstay of measures to deal with avian influenza should be heightened farm biosecurity, stringent hygienic practices in farms and markets, and an effective surveillance system. Vaccination is normally used in containing outbreaks, but should not be seen as the only and ultimate solution to tackle the problem of avian influenza. This view is shared by members of the Expert Working Group on Avian Influenza when they recently reviewed the interim results of the trial of vaccination. I would also like to reiterate that we have not yet completed the trial of vaccination, which will provide us with the information to evaluate the effectiveness of this component strategy in the current environment.

We will also seek to improve overall food safety by adopting a multi-pronged approach. We will introduce legislative changes to bring our food laws up-to-date following the recommendations and standards of Codex, the international authority for food standards. Our current plans include introducing legislative amendments to require labelling of allergens and food additives and mapping out the way forward on nutrition labelling.

We will regularly review our enforcement priorities and strategies to tighten up regulatory control over unhygienic food establishments in the interests of public health. The new legislative amendments, when they come into force next month, will empower the licensing authority to close expeditiously unhygienic food establishments which pose serious and immediate threat to public health.

We will seek to improve the effectiveness of our public education programmes and education of the food trade. As the most effective approach to food safety is to tackle potential problems at source, we will also improve the control on agricultural and fisheries operations that have an impact on public health or the environment. Our current plans in this regard include the introduction of legislation to implement a fishing vessel licensing system and to improve the control on the use of pesticides. We also intend to review some of the licensing practices in our Food and Environmental Hygiene Department as we have undertaken to the Panel.

Time does not permit me to be exhaustive in terms of detailing all of the Government's initiatives. Honourable Members will be aware that our other social service policies and programmes in the health, education, housing, labour and women's arenas also contribute to our underlying philosophy of assisting people to develop their full potentials. Our efforts go far beyond only providing a basic safety net. We provide much more as we help people to move to independence.

I have outlined the thinking and rationale behind our social service policies and programmes. The Government regards all of these as an investment in our people. The future holds many challenges for us all. But I firmly believe that these will also create opportunities which, if suitably taken up, will enable the community as a whole to optimize its human and other resource potential.

Thank you, Madam President.

PRESIDENT (in Cantonese): The second debate session ends.

PRESIDENT (in Cantonese): We will now move on to the third debate session. The policy areas for this session are "education, home affairs and manpower planning".

MR TIMOTHY FOK (in Cantonese): Madam President, the Chief Executive stressed in his first policy address after being re-elected that he would seek to inject vigour into our economy by promoting the creative industries, which are the synergy of artistic creativity and product development, and to develop a cultural and arts network in the Pearl River Delta, so as to broaden the scope for cultural exchange between the two places and for the development of the creative industries.

The creative industries are high value-added, highly productive industries that offer a large number of employment opportunities. Basically, they involve the assimilation and synthesis of such elements as culture, new concepts and knowledge and the transformation of such into ideas or commodities with economic value. Combined with modern marketing tactics, these elements are developed into industries that yield economic returns.

Hong Kong inherited the Chinese culture, which has a history of over five thousand years and for historical reasons, it is also deeply influenced by Western culture, so that it has evolved into a unique culture that provides a rich source of inspiration to creative artists. On the other hand, the flow of information in Hong Kong is extremely free and the latest knowledge and information can be acquired easily. This further provides an excellent foundation for the development of the creative industries.

In fact, the creative industries are nothing new. Not only do they have a long history of development in Hong Kong, many of them used to enjoy an unparalleled status. For example, such industries as film and television, the performing arts, publishing, advertisement and design were at one time frontrunners in Asia. However, due to the short-sighted policies and neglect of the Government and the rigid education system, the creativity of Hong Kong people gradually waned, so that the creative industries have now to be tapped afresh and promoted like a newly discovered continent.

Creativity does not originate from a void, but has to be cultivated in everyday life, through constant innovations and experiments. The prerequisites of creativity are the training of people with creative talents and the enhancement of the cultural standard of the general public. The establishment of the Hong Kong Visual Arts Academy is certainly one of the means, however, popular education in arts, promoting refined culture and popularizing cultural activities are actually the most effective ways to induce creative thinking in students. If education in Hong Kong is still dominated by academic subjects, and if schools and parents continue to consider performance in academic subjects more important and relegate sports, arts and culture to the sideline, then creativity will be a dream that can never come true.

(THE PRESIDENT'S DEPUTY, MRS SELINA CHOW, took the Chair)

Of course, any measure to enhance the general cultural standard of society will not yield results within a short period of time. Therefore, if we want the creative industries to yield economic returns as soon as possible, then the Government must take the lead and initiate an effective creativity revolution in the industrial and commercial sectors. In this connection, it is necessary for members of the industrial and commercial sectors to have the courage and vision to forgo existing interests, to reorganize their companies or introduce elements of

creative industries into them, as well as committing their companies to the creative industries resolutely when they are still competitive, so as to avoid being displaced when the conventional value-added industries gradually become outdated.

On the part of the Government, it has to further improve the business environment and provide assistance to the sector, as well as protecting intellectual property rights and encouraging innovation and creativity through the implementation of policies. This is part and parcel of the responsibilities of the Government. When the British Government promoted the creative industries in the '80s, it formulated a central cultural policy which had the mission of promoting culture by actively encouraging investors to invest in new cultural trends and industries relating to the arts, cultural tourism, international arts exchange, and so on, as well as developing local cultural policies in major cities, so as to raise the cultural standard of society as a whole through the two-pronged approach of promoting industries as well as culture and education.

Madam Deputy, my sector has always supported the development of creative industries in Hong Kong and has high expectations on the Government's promotion of the creative industries. It must be pointed out that the creative industries are in fact comprised of two parts: firstly, to increase the value of industries through creativity, which must be achieved by raising the cultural standard of society; and secondly, the development of creative industries, that is, to turn sports, culture and the arts into industries. Unfortunately, because of the Government's misguided policies over an extended period of time in the past, most of the resources for sports, culture and the arts are allocated centrally by the Government, and civic organizations, hampered by various obstacles when applying for government resources and commercial sponsorships, can only flounder at the amateur level because of a lack in means, facilities and even venue. Recently, the Government plans to co-operate with the Mainland in promoting the development of traditional Cantonese opera and in applying to register it as a world cultural heritage, but ironically, the last remaining private venue for the performance of Cantonese opera in Hong Kong will be closed soon. If sports, culture and the arts cannot be made popular or transformed into industries, and if there is no protection for the career prospects of their partakers, may I ask the Government how the overall cultural standard can be raised? On what basis can the creativity of the creative industries be founded?

With these remarks, I support the original motion.

MR JASPER TSANG (in Cantonese): Madam Deputy, there is quite a substantial number of non-Chinese residents among the grassroots of Hong Kong and all of them are Hong Kong residents. However, they have encountered a lot of specific difficulties in their daily lives in this so-called cosmopolitan city that places great emphasis on pluralism and racial harmony. As their language, culture, religion and lifestyle are different from the majority of Hong Kong residents, they face a lot of constraints in seeking jobs and accommodation, in particular the education of their children. As their population continues to grow, this may become a very big problem for the community. In 2000, the Home Affairs Bureau published a survey report, giving a lot of information on the ethnic minorities and the problems encountered by them. However, nearly three years have passed since the publication of the report, their conditions remain largely the same and they still face the same difficulties.

The newly published policy agenda also lacks content in this area, but there is an item on establishing a coherent and comprehensive population policy. I hope that when the Government formulates its population policy, it will also consider the specific problems encountered by ethnic minorities in Hong Kong. Thank you, Madam Deputy.

MR CHEUNG MAN-KWONG (in Cantonese): Madam Deputy, at a time when the economy is poor, education becomes all the more important for it is a force fostering social cohesion and stabilizing public sentiments.

I am a representative of the education sector and I have lost count of the number of times of being stopped on the streets by members of the public who told me their aspirations in education. Even when senior government officials dined with me with the original purpose of persuading me to support their policies, the subject of our discussions would eventually turn to education and the education of our children. They have not chosen this subject because it is my pet subject, but because they are genuinely concerned, or even deeply worried for education has far-reaching impact on our younger generation. All parents share the same aspirations. Which of us has never been through the experience of studying together with our children? Which of us does not hope that our children will learn well and become useful members of the community? LU Xun said, "I do not care what the critics have to say about me, I only know that I will go on playing my humble role and making my small contribution."

While this is the heartfelt wish of all parents, this also reflects the wishes of Members who are here today.

Madam Deputy, I would never forget what a taxi driver once told me. After the reunification, taxi drivers suffered a great loss in income, so they were naturally unhappy. Mr Matthew CHEUNG, the former Director of Education once suddenly came up with the idea of suggesting prestigious government schools to become Direct Subsidy Scheme (DSS) schools. DSS schools charge a fee and the fee of some may be as much as several tens of thousands of dollars a year. There is no way that children from ordinary families can afford to attend those schools. I got on the taxi and the driver was very angry. He told me, "I cannot afford to pay exorbitant school fees, but please do not deprive my children of their chance to attend a good school for I have placed my hopes on them." Madam Deputy, "placed my hopes on them" means that he hopes his children can receive a good education and this is the most earnest wish of parents.

After the reunification, the economy of Hong Kong has been in recession and there is a serious deficit problem, but TUNG Chee-hwa still increases investment in education. This is a policy that goes to the heart of the people. Even in his last policy address, TUNG Chee-hwa still said, "The Government's most fundamental tasks is to make significant investments in education. Over the past few years, despite tight government finances caused by the financial crisis, we have continuously increased our investment in education."

Madam Deputy, Chinese people always attach great importance to education. As the saying goes, "All classes of people are of low prestige except the scholars". Though this is a rather feudal concept, it is shared by many people. No matter whether the economy is good or poor, members of the public will always have expectations and hopes for their children's education. Though the public barely manages to live within their means and seeks to cut expenditure on all other needs of life, they will not be miserly towards the education of their children. The days and years ahead of us are believed to be more difficult than today, and if our children cannot receive a good education, then how can they emerge as winners under keen competition? Therefore, even if there are endless difficulties in their lives, the public will still hope to send their children out to a better, farther and more spacious world, and that is the world of education.

What is most disappointing about TUNG Chee-hwa's policy address in his second term of office is that expenditure on education has begun to shrink. Though TUNG Chee-hwa still said that investment on education should be maintained, but this could not cover up the obvious substantial retrogression in education. In face of the huge deficit, TUNG Chee-hwa has to cut \$20 billion in expenditure and expenditure on education is not spared. I can really appreciate the helplessness of TUNG Chee-hwa, but I hope to say a few more words for the students. Education is the money of students and the deeper the cut, the greater the harm will be done. Every child has but one childhood and childhood is the golden age for education. How can the whole life of a child be adversely affected just because of temporary adversities?

In face of the impending storm, cuts on education are looming. The other day, the Secretary for Education and Manpower proposed to increase the tuition fees of senior secondary schools, matriculation courses and universities. This, in addition to the tax increase proposal of Antony LEUNG, which is directed at the middle class, has given rise to great repercussions or even aversions in the community. The middle class pays a heavy tax but enjoys few benefits. They are burdened with heavy negative assets and full of grievances. Grass-roots members are faced with the pain of unemployment and salary cuts and every cent of their income is hard earned. Increases in tuition fees will harm both the middle and lower classes, so their responses are equally strong and they are unanimously against the Government's move in making cuts directed at their children. Madam Deputy, as the increase in tuition fees will turn the people against the Government, it must stop before it is too late.

When funding for education is cut by 10% or more like other government expenditures, the damage will be felt in all quarters. It is anticipated that subsidies for sub-degree programmes will be withdrawn, funding for universities will be drastically reduced and the pace for whole-day schooling will also slow down, computer-assisted teaching will not be able to go ahead and small class teaching will be deferred forever. Once the cut is made due to the fiscal deficits, the damage will be extended to education and hurt both parents and students. This is the last thing the community wishes to see. Therefore, if TUNG Chee-hwa were to uphold his promise and spared education and students this time, then funding for education should be maintained at the existing level even if not increased. Madam Deputy, the reform in education has introduced a lot of new services, so if funding for education is maintained at the existing level, it is

already a reduction in disguise. The education sector will by no means have an easy time.

Of course, education funds should be spent prudently and carefully. Sometime ago, the Education and Manpower Bureau has even granted approval for a school to use more than \$5 million of their own funds to build glass observation elevators. Such extravagance is really heart-rending. In times of tight finances, fund allocation should be prioritized and the funds should be spent in an appropriate manner. Items that are directly related to the teaching of students should be given priority by the community, while savings should be made where appropriate so that the valuable education funds could be spent where they are most needed. Only in this way will the community accept the principle that education should be accorded priority and that funding for education should not be reduced. The Education and Manpower Bureau, schools, principals and teachers should make good use of public funds to teach their students well and answer the aspirations of the community through their enthusiasm in teaching.

Teachers are also parents and parents should love and care for their children in every possible way. I hope all teachers can love their students like their own children and teach them well, so that they can become useful members of the community, so that Hong Kong people can see hope in their children and feel warm and happy, despite the hardships they face today.

Madam Deputy, I so submit.

MR TAM YIU-CHUNG (in Cantonese): Madam Deputy, whether Hong Kong's new round of economic restructuring can be successful actually depends on whether the education level and vocational skills of our working population can be upgraded. The current education reform of Hong Kong are now pressing ahead in full steam in the direction of all-round development of students, to cope with the social environment and needs of the 21st century and supply talents for the social and economic development of Hong Kong. While we support the education reform and admission of more professionals into Hong Kong, we must not ignore the 3.52 million workforce, particularly the need to upgrade the skills of workers with a low level of education and skill.

The Government has now established the Manpower Development Committee. I hope that through serious research, co-ordination and planning, the Committee can increase the rate of public participation in continuing education and training and upgrade their skills level; offer equal opportunities to the public in pursuing continuing education and upgrading their skills; upgrade the standard of continuing education, training and skills improvement programmes and increase the efficiency and cost-effectiveness of various institutions that offer continuing education, vocational and skills training programmes. Though the Government is facing a huge fiscal deficit, it should not neglect the importance of training and skills upgrading because only through training and skills upgrading can we help some qualified and capable workers to rejoin the labour market, prevent the disadvantaged groups in society from being cast out or marginalized and avoid increasing the burden on the social welfare system.

The current problem is, in the area of vocational training and retraining and development of continuing education, the Government lacks long-term and explicit objectives and strategies. Consequently, very often, the work of vocational training and retraining is regulated very much like formal education. However, since there are great differences between vocational training and formal education, the Government should not adopt the model of formal education. Rather it should take into account the actual situation and the trend of future developments to meet the demands of employers and employees. This should be dealt with flexibly instead of hoping to achieve the target in one step.

The Government is now striving to establish a qualifications framework and quality assurance mechanism. In the past, we have continuously fought to establish a qualifications advancement ladder, in the hope of encouraging lifelong learning, so that everyone could enhance their personal knowledge and ability to ascend the qualifications ladder. The fact that the Government has proposed to establish a qualifications framework is an improvement, but the proposed mechanism only focuses on academic qualifications to the neglect of skills qualifications. As a result, some people with rich experience and trade skills could only be listed at a lower grade under the newly proposed mechanism due to the lack of formal academic qualifications. Such an arrangement would only undermine the success of such persons and dampen their confidence in pursuing continued studies. Retraining and skills upgrading programmes that emphasize skills could not even be recognized as the first rung on the qualifications

framework. Therefore, people would only get an impression that such courses are not up to standard, hence the negative labelling effect.

In order to avoid the above demerits, we must distinguish between academic and skills qualifications by establishing two independent qualifications ladders and an interconnection mechanism for the two. In fact, there is no lack of successful examples for our reference. The National Council for Vocational Qualifications of the United Kingdom has set up a comprehensive system for the accreditation of qualifications and training systems for various trades. Concurrently, a self-learning system for professional examinations is also developed, so that every person can seek to upgrade his personal professional and skills qualifications in a continuous manner through an examination-based self-learning system. The national skills recognition system of Singapore and the national vocational qualifications certificate system of China are models of success in recent years. The Government should make reference to these systems, conduct a thorough survey and find out about the actual situation in Hong Kong, and set up skills improvement programmes that are progressive and interrelated in nature, so as to increase the market acceptability and professional skills qualifications of the public on completion of the training programmes.

Economic restructuring is a painful process, particularly because this round of restructuring is different from those in the past, in the sense that it will take quite a long time to upgrade the skills level of our whole workforce. The Government and employers are obligated to help employees adapt to this change. I hope that the Government, employers and employees can come together to pool collective wisdom and join hands to face and adapt to this change, with a view to maintaining social stability and harmony.

I so submit.

DR YEUNG SUM (in Cantonese): Madam Deputy, on page 27 of the policy agenda, the Government indicated that it would implement recommendations made by the University Grants Committee (UGC) in the Higher Education Review. One of the most controversial issues is that apart from three types of programmes, the UGC proposed that the future sub-degree programmes should be operated on a self-financed basis. The Democratic Party opposes this proposal because of three reasons.

Firstly, the Government is unfair to students of sub-degree programmes. In his policy address of two years ago, Mr TUNG promised that the Government would strive to invest in higher education and anticipated that the age participation rate for tertiary education in Hong Kong would be increased from the existing rate of around 10.6% to around 60% by 2010. In order to meet the target of 60%, the Government must increase the number of school places for higher diploma and associate degree programmes. Though the Government is willing to spare no efforts in offering loans to needy students of sub-degree programmes, this will not be of much help at all. The reason is, a university student with financial difficulties only needs to take out a loan for 18% of his tuition fees to complete the university course and the remaining 82% will be subsidized by the Government; but a student of a sub-degree programme with similar financial difficulties must take up a 100% loan before he can complete the course. In other words, it seems that the government policy of refraining from offering subsidies for the majority of sub-degree programme students, while offering subsidies for all university students will give rise to unfairness. Therefore, the Democratic Party proposes that it would be best for the Government to maintain its current policy. If the Government insists on implementing the new policy, then the self-financed mode of operation should apply only to new sub-degree programmes while existing programmes should be exempted.

Secondly, we are worried that the quality of education will be affected if education is turned into a commodity. From the policy address, the Democratic Party cannot see that the Government has kept its promise of investing vigorously in education. The message conveyed by the policy address was only that in face of the fiscal deficits, Directors of Bureaux have the responsibility of promoting economic development and tackling the deficits. It was even pointed out in some reports that it was estimated that each Policy Bureau had to reduce its expenditure by 10% in the next four years before they could meet the target of the Government. Sometime ago, Prof POON Chung-kwong, President of The Hong Kong Polytechnic University (PolyU) indicated that once the funding for the PolyU and subsidies for the Higher Diploma Programmes were cut, the PolyU would have no alternative but to layoff its staff. This would lead to low morale among its staff and adversely affect the quality of education. Everyone knows that investment in education is different from investment in other economic activities, in which the rate of return could be anticipated; on the contrary, an inadequate investment in education will certainly affect the quality

of education. The above example of the PolyU can show that the reduction in funding for higher education will jeopardize the quality of teaching in the future. Therefore, the Democratic Party proposes that Prof Arthur LI should try his best to fight for the Financial Secretary's support in maintaining the existing level of funding for universities and Higher Diploma programmes.

Thirdly, if sub-degree programmes are operated on a self-financed basis, it will stifle the possibility of people improving their lot through social mobility. There is no doubt that the Democratic Party and members of the education sector fully support the SAR's initiative in promoting the popularization of education up to the higher education level. However, if sub-degree programmes are operated on a self-financed basis according to the recommendations of the UGC, the Democratic Party is worried that this will deprive needy students of the opportunity to improve their lot through social mobility. This is because even if students of sub-degree programmes could complete their education by taking out loans from the Government, they would still have to face the pressure on loan repayment after graduation. Many students have already given up the plan to take sub-degree courses for this reason. Therefore, the Democratic Party urges the Government to pay attention to the fact that once sub-degree programmes are operated on a self-financed basis, it will reduce the opportunity whereby students can improve their lot through social mobility.

Moreover, it was reported last weekend that Prof Arthur LI had considered increasing the tuition fees of senior secondary, matriculation and university courses. When Members sought confirmation from Prof Arthur LI on whether it was true that the tuition fees would be increased at last week's briefing, he did not give a definite answer. The Democratic Party thinks that the proposal on increasing tuition fees is a wrong decision that runs counter to the concept of universal education. The Democratic Party objects to the Government's move in the context of resolving the fiscal deficits as it will indirectly destroy the foundation of education that Hong Kong has built up after years of hard work, especially in face of the current economic difficulties. Members of the public in general will be seriously affected, and this will add to the already heavy burden of parents, deal a further blow to the already weak social cohesion, divide the community and may give rise to the situation where "those who have money could receive education and those who have not could not do so". This is something we definitely do not wish to see.

There are two studies undertaken by Prof Arthur LI that the Democratic Party is most concerned about. Firstly, it is teaching in small class. In principle, the Democratic Party supports teaching in small class because we believe that under a system of universal education, if other factors remain unchanged, teaching in small class can certainly help enormously to improve the quality of education. We are closely following this study and hope that there will not be any delay. Secondly, it is using mother tongue as the medium of instruction. The first batch of students affected by the implementation of mother tongue teaching will sit for the Hong Kong Certificate of Education Examination (HKCEE) in 2003. In the relevant study, we will monitor the HKCEE results in various subjects of English and Chinese secondary schools closely. However, it was reported in a newspaper the day before (I have only read the report but have not met Prof TSANG) that the English standard of students in Chinese secondary schools is lower than before, but their performance in other subjects is better; the English standard of students in English secondary schools is higher than before, but their standard in other subjects is lower. Gains in one area and losses in another seem to intensify further studies on HKCEE results. I hope that open discussions can be held in relation to this study to allow members of the community to review the success and failure of mother tongue teaching and the direction of its future development. The Democratic Party will follow these two studies closely.

Thank you, Madam Deputy.

MR MA FUNG-KWOK (in Cantonese): Madam Deputy, since the reunification, the cultural development in Hong Kong has gradually gained the attention of the Government. The proposal to enlighten people with a rich culture in this year policy address indicates that the Government attaches importance to this. The second round of consultation conducted by the Culture and Heritage Commission on the future cultural policy of Hong Kong, which has also seen my participation, has just completed. The Commission is now collating the opinions and preparing the final recommendations. Thus, I will just express my opinions on certain pressing issues here.

The heritage conservation work in Hong Kong has all along been subject to severe criticism. Owing to its historical background, Hong Kong, though a small place, has a lot of antiquities and monuments of historical and artistic value. If they are properly preserved, they will become important assets to our culture,

economy and society. In the past, rapid economic development of society and the pre-eminence of commercial interest caused the protection of antiquities and monuments to be overlooked. As a result, quite a number of valuable relics of history of mankind have been buried in the concrete jungle. While some private antique architectures are lucky enough to remain intact, the huge cost incurred in regular maintenance has left most of them long been out of repairs. The decrease in the limited number of antique architectures has become a grave concern.

The prevailing tight budget, to a certain extent, will make it difficult to deploy additional resources for the preservation of monuments. In view of this, the Government should take prompt action to formulate a policy on preserving those antique architectures. In the case of interest in land, for example, permission for the transfer of plot ratio or exchange of land should be granted. The Government may consider formulating a policy to offer incentives and foster awareness of heritage conservation. It should also consider deploying social resources to engage in antiquities and monuments conservation exercises, complemented by education work on the relevant front.

As far as resource is concerned, demand from other cultural activities may also surge. However, restricted by the tight budget, the cultural and arts sector in Hong Kong must identify new source of funding, especially community resources, to sustain its development. A diversified source of funding will not only facilitate artists to explore new fronts in cultural and arts at different horizons, but also secure room for free creation. Therefore, the Government should introduce prompt measures, like a taxation policy, to encourage the injection of community resources.

This is definitely good of the SAR Government to take the initiative to promote cultural development, however, the role of the Government remains a question of concern. Hong Kong is a pluralist society; freedom of creation and openness of society has all along been with us. To enlighten people with a rich culture, the Government should reinforce this distinct foundation with such advantages while promoting arts creativity education to inject vigour into the local cultural scene. It should provide suitable software and hardware to cope with the cultural and arts development, and refrain from intervening or leading the direction of development.

The policy address proposes to actively promote the development of creative industries. Many countries have, in fact, already made intense efforts to promote creative industries and formulate development strategies, and regarded this as the new momentum to sustainable economic development. All along, creative industries have been a component of Hong Kong economy; people of Hong Kong are famous for their flexibility and creativity. Once complemented by suitable promotion, effective support policies and a favourable environment, I believe the creative industries will find new growth and become one of the important pillars underpinning the economic development of Hong Kong. I gave my remarks on creative industries yesterday, thus I would not dwell on the subject now. However, I note that at least two Policy Bureaux have proposed the active promotion of creative industries. Therefore, I would like to remind the Government that a clear division of work and co-ordination among different bureaux should be effected, so as to avoid overlap in resources and policies, and prevent the bureaux concerned from depending on each other and ending up with a vacuum.

MR YEUNG YIU-CHUNG (in Cantonese): Madam Deputy, though there is only one paragraph in the policy address that touches on education, the attention and commitment the Chief Executive gives to education is definite and clear. We should not make any generalized comment on the coverage of the policy address and use it as the benchmark on the significance attached by the Chief Executive to education.

The Chief Executive points out in this year's policy address, "our people are our most valuable resource and the key to the development of a knowledge-based economy. One crucial means of promoting economic restructuring is by investing in education." He also says, "..... investment in education will remain our priority, notwithstanding the need to address our budgetary problems."

The reference to resources for education in the policy address is consistent with my view. I always stress that continuous investment in education and optimization of resources for the same should be implemented at the same time. I thus support the proposal stated in the policy address.

That no more new reform on education policy is introduced in this policy address reflects that the Government has taken a pragmatic approach. Comprehensive proposals and measures on education reform, curriculum reform

and tertiary education reform are already in place, and the key now is implementation. Education reform has already started, though there are some hiccups, the Government should be determined in implementing such reform. During the course of implementation, various work items would certainly need to be prioritized to optimize resource utilization and enhance cost-effectiveness.

Madam Deputy, to achieve a fiscal balance in the year 2006-07, the Government has to cut its expenditure by \$20 billion within the coming four years. Even if education is the pet item of the Chief Executive, it may not be spared of the cut. The education sector is prepared to share the burden in reducing the fiscal deficit. However, I think any cut in education funding should be implemented only after careful deliberation and be regarded as the last resort. In case the cut is inevitable, a broad-brush approach should be avoided and efforts should be made to minimize the setback and impact of the cut on the interest of students and quality of education. I think the Education and Manpower Bureau should top the list of expenditure cut. Though the merger of the Bureau and the Education Department (ED) has helped to cut the expenditure by \$10 million, only a few posts have been deleted, and I believe this is not enough. I cannot understand why the former ED used to need such a large establishment. Excluding teachers in public schools, there were over 3 000 officers under the former ED. However, with a population of over 10 million, the Education Committee of Beijing Municipality employs only some 100-odd officers. While Hong Kong, with only 7 million people, is supporting such a big establishment. So, the discrepancy between the two is really significant. A comparison drawn on this simple ground may not be accurate or suitable, but it is clear enough that the Bureau should streamline its administration, as well as delegating powers to school sponsoring bodies and schools. It is indeed unnecessary to retain such a large bureaucratic structure.

In respect of resource allocation, the authorities should give up its broad-brush approach; they should no longer disregard the actual situations, preferences and readiness of schools in their enforcement of measures. The authorities should not provide resources to schools irrespective of their individual merits. For instance, the provision of a dozen computers to each school may end up with individual school having difficulties to accommodate those computers. Moreover, allowances amounting to hundreds of thousands of dollars are granted to every school irrespective of their number of classes and the number of students. What seems to be fair at first glance is in fact a waste of resource, and is not really fair. The building of two sightseeing lifts at a cost of about \$10 million is the last thing we would wish to see repeated in future.

The Secretary for Education and Manpower stated that tuition fees for senior secondary and tertiary education are under review. I think that the conduction of a review is acceptable, but any increase in such fees should be avoided. In respect of education, cutting expenditure is a possible means, but opening up new resources is not a suitable way out. By opening up new resources, it means that the axe will be wielded at students and parents. If the Government has overspent, it should cut its expenditure. Why should it increase tuition fees instead? Why should we give the Government more money to spend? If so, how can it cut those unnecessary spending? If the operating cost of school is too high, then the expenditure and costs should be cut. It is not justified to increase tuition fees to meet those expensive costs. This is entirely self-contradictory. Moreover, many parents are already plagued by pay cuts, layoffs and negative equity assets. An increase in tuition fee will definitely add burden to the already oppressed middle class. The DAB thus opposes such a suggestion.

Madam Deputy, there are two pressing issues that should be addressed regarding the education reform. First, it is to enhance the biliteracy and trilingual proficiency of our students. The DAB supports the measures proposed by the Standing Committee on Language Education and Research (SCOLAR) under the "Action Plan to raise Language Standards in Hong Kong". We have been urging for an enhancement of the language standard in Hong Kong for more than 10 years, but the effect is not prominent. Now, the issue on biliteracy and trilingualism is brought up again. I hope the Secretary is not taking it as mere talk, and he should implement practical, feasible and effective measures and set the relevant indicators.

Second, it is to strengthen moral and civic education. Youngsters in Hong Kong nowadays lack social ethics and moral education. Litters and graffiti found outside the Cultural Centre during Christmas and New Year's Day, as well as the indecent slogans used during the orientation camp of The Chinese University of Hong Kong are evidence to this. Moral education is a prerequisite for quality education. In my view, the Government should show determination to implement concrete and effective measures of fostering moral and civic education in Hong Kong. We suggest that the Government should establish a national education activity centre for primary and secondary students, thereby providing a platform for the cultivation of a sense of belonging to their nation among youngsters and promoting national education.

The Chief Executive says in his policy address, "Apart from nurturing local talent, we will continue to attract talented people from around the world." I think this is particularly true in the case of education. The authorities should relax control on the ratio of local students and non-local students in tertiary institutions, so as to provide favourable conditions to attract students from the Mainland and other places in the Southeast Asia to enrol at tertiary institutions and secondary schools in Hong Kong. A tremendous increase in the number of self-funded university students will help to develop Hong Kong into an education centre in the Asia-Pacific Region.

I so submit. Thank you Madam Deputy.

MR LEUNG YIU-CHUNG (in Cantonese): Madam Deputy, I remember that the Chief Executive pledged in the policy address of 2000 that the Government's resolve to make these investments in education would never be weakened, and that the prevalence rate of higher education would be increased to 60% within 10 years. Unfortunately, two years have lapsed, and what the public has seen is a weakened resolve of the Government. Why? It is because the Government has cut the resources for higher education and training repeatedly and applied market principles to education. Moreover, the authorities are even studying an increase in tuition fees. All this has given the public an impression that education, like other policy areas, will have to fend for itself. Therefore, I worry very much if the Government will honour its promise.

I remember, once the Chief Executive introduced this education objective, people already queried if that would end up like the "85 000" housing objective, that means "once the target was not mentioned, it was no long there." The situation nowadays gives us the same feeling. Last week, when the Chief Executive attended the Question and Answer Session, he pledged that there would be continued investment in education, but added a proviso that resources in education would be redeployed. This "redeployment" of resources implies that the expenditure on certain items will be increased while others will be cut; this can by no means be regarded as putting more resources into education. I therefore doubt if the situation can be so optimistic.

Under the present economic woes, people have actually lost their confidence. The Government should thus make long-term investment to restore

their confidence, and education is one of the important sectors in such investment. To give the people hope, the Government should provide good education opportunities to our next generation. It should make the present generation believe that even if they are now having a hard time, their children, having received good education, will still access to opportunities of further development. The public will feel better this way. In fact, it is a summary of the success experience of Hong Kong over the past three decades. I hope the SAR Government will treasure this.

Unfortunately, today, the Government is not only reducing its commitment to manpower training, and most news on education is bad rather than good. For instance, apart from the increase in tuition fees, many colleagues have mentioned that the Government will cut the subsidy for associate degree and higher diploma programmes. We very much worry that students will have become heavily in debt on completion of their tertiary education. We all know that, even if they manage to find a job afterwards, the salary will be very low. Given their heavy indebtedness, they will have to concentrate all their efforts on repaying the debt, thus hindering their own development and contribution to society. Therefore, I think the Secretary for Education and Manpower should consider carefully if the cut in funding will do any good to the development of our university graduates in society in the future.

Madam Deputy, I hope the Government will not be overly short-sighted. We certainly have to address our fiscal deficit, however, long-term investment in education is very important indeed. I hope the Government can realize this; if not, in the future, we can hardly find a way to recover from the trauma suffered now. The Chief Executive stated, in the last Question and Answer Session, that this is the crux of the problem. In his view, the high unemployment rate emerged during the restructuring of the economy is the result of the mismatch in manpower resources and insufficient effort put into education and other areas over the past years. Such factors have left us in the present predicament. If the Chief Executive really understands that the present situation is the result of deficiency in the past, he should realize that withdrawing investment in education today is probably sowing the seeds of trouble in future. Having seen what went wrong in history, as the Chief Executive should have, I hope the Government will not repeat the same mistake.

Madam Deputy, I so submit.

MR SZETO WAH (in Cantonese): Madam Deputy, at present, Hong Kong is encased by red terror. This "red" is the "reds" in our books of public finance. Although the policy address reiterates that the Government will maintain its investment in education, but education is still threatened by this "red terror". A few days ago, the Secretary for Education and Manpower, Prof Arthur LI, said that he had news to break, and the news he broke was that the tuition fees for senior secondary and university education might be raised. The news induced very strong negative responses. Subsequently, he clarified that a final decision had not yet been made. But he said nothing indicating that there would not be such an increase or that the news was not true. If this was used as a tactic to test the response of the public, it would be like a burglar throwing out an earthenware to test the alertness. But, now, that piece of earthenware has been smashed to pieces. I hope a lesson has been learnt and the Secretary will refrain from really sticking his neck out.

Prof Arthur LI mentioned two new measures stated in the policy address, namely, first, to implement the measures recommended by the Standing Committee on Language Education and Research to improve language education and the biliteracy and trilingual proficiency of the people; and second, to rationalize and simplify the teaching grade structure of public schools.

Regarding the first point, I believe that whenever biliteracy and trilingual proficiency is mentioned, the focus is always on English. Proficiency in Putonghua is occasionally mentioned, but Chinese on the whole has been given scant attention. No wonder, Prof Arthur LI has used a wrong Chinese character for the first name of Mr Michael TIEN. It was not a typo, he probably had not realized that Mr TIEN's first name "bei chen (北辰)" is a proper noun, the name for Polaris a star to which all stars turn, and also a symbol of power and prestige. In this Chamber, from time to time, we would hear people mispronounce the character "at (遏)" in the Chinese phrase of "*at* chi (遏止)" (suppressing) as "*kit* (揭)"; or the character "*sing* (省)" in the Chinese term of "*sing* laam (省覽)" (scrutiny) being mispronounced as "*saang*(省)", just as the other pronunciation for the same character found in the name of Guangdong Province "Gwong Dung *Saang* (廣東省)". In some cases, the Chinese idiom for a drop in the ocean "chong hoi yat *suk* (滄海一粟)" is misquoted as "chong hoi yat *lut* (滄海一粟)", with the last character of the idiom "suk (粟)"(corn) being mistaken as "lut (栗)" (chestnut). To speak good Putonghua, one should meet two criteria: first, to achieve accurate articulation; and second, to write

fluent modern Chinese. In fact, the second criterion is more difficult to meet than the first one, which depends on one's standard of Chinese. Take the Cantonese phrase of "Ngo gaau bat tim (我搞不掂)" (I cannot make it) as an example; this can be pronounced correctly in Putonghua, however, such a phrase is not acceptable in the grammar of modern Chinese. I can quote some more examples, such as the Cantonese phrases for "(胳膊底 gaak laak dai)" (armpit), "(gib jap 嚟汁)" (Worcester sauce), "(faat laam cha 發爛渣)" (kick up a fuss), "(mo lee tau 無厘頭)" (gibberish). How do we say all these in Putonghua? It is no longer a matter of pronunciation, but a matter of one's standard of Chinese.

In respect of the second measure, I worry that the Government is trying to cut funding for education to ease the fiscal deficit on the pretext of rationalizing and simplifying grade structure. Just let us wait and see.

The Chinese phrase "it takes a hundred years to school a person" has two tiers of meaning. First, education is a human undertaking. Second, education is a perennial and continuous undertaking.

On the first point, what does it mean by a human undertaking? The subject is students, the key is principals and teachers; students rely on the principals and teachers for teaching and nurture. Any education measures to be implemented should be able to motivate but not jeopardize the initiative of principals and teachers. Then, does the so-called "rationalization and simplification of the teaching grade structure" seek to motivate or jeopardize the initiative of principals and teachers?

Second, when we talk about persistence and continuity, it means results cannot be achieved overnight. Policies should not be changed frequently and should not be decided on a momentary reflection. The incumbent Financial Secretary Antony LEUNG used to be the Chairman of the Education Commission (EC). He often stressed that funding for education has increased by 50% since the reunification. Perhaps he thinks that such a splurge, like a golden key, can open any door. I think the application for the building of a sightseeing lift by a certain school was probably approved at that time. Today, I wonder what percentage of cut in funding has he requested the Education and Manpower Bureau to achieve. "Money is water", we cannot have too much of it, or we will be drown; nor can we have too little, or we will languish in a drought. If education is regarded as a "perennial and continuous" undertaking,

and then we cannot at one point of time make a splurge, and at another point of time cut funding continually. We will keep a close eye on the Budget to be announced in March to see how funding for education will be cut, particularly cuts affecting students, principals and teachers.

In fact, what really needs to be rationalized and simplified are the great varieties of dazzling education reform initiatives streamed out by the EC under the chairmanship of Mr Antony LEUNG. "Continuation with our comprehensive programme of education reform" is one of the initiatives among the numerous jumbled "Ongoing Initiatives" listed in the policy agenda. Has this programme ever been reviewed? Is it necessary to rationalize and streamline the programme? I believe, by rationalizing and streamlining the education reform programme, the Government may not only ensure that the education reform will proceed in the right direction, but also achieve savings in resources.

Madam Deputy, I so submit.

MS AUDREY EU (in Cantonese): Madam Deputy, education has long been regarded by Mr TUNG Chee-hwa, the Chief Executive, as a prime area of work in his administration. Even if we put aside the effectiveness of education reform, the SAR Government has undeniably injected substantial resources into education in the past five years. We must acknowledge the fact that expenditure on education has increased by 60%, from \$37.9 billion in 1996-97 to \$61.3 billion in this fiscal year. Regrettably, owing to the fiscal deficits, investment in education is apparently showing signs of shrinkage.

In the 2001 policy address, Mr TUNG committed to increasing investment in education. A year later, now we can see that the Government is exploring all possible means to save spending on education, from slashing university funding to gradually abolishing subsidies for associate degree programmes, putting school improvement works on hold, and so on, all of which being aimed at "saving money". Mrs Fanny LAW, the Permanent Secretary of the Education and Manpower Bureau, has also indicated that education spending will be cut next year, and the amount to be cut may even exceed \$900 million. As the situation unfolds, it is not surprising that people from outside the Government have the feeling that Mr TUNG's pledge on an unwavering resolve in education investment may just be lip service.

Madam Deputy, I agree that expenditure on education does warrant a review. At the same time, I do not oppose the redeployment of resources so save some unnecessary spending or spending without cost-effectiveness. For instance, we often hear people criticize that there are problems with allocations under the Quality Education Fund and that resources are not used appropriately. A number of colleagues also mentioned spending on sightseeing lifts, and so on. To prevent unnecessary wastage, such spending should come under review. However, minimizing unnecessary wastage and slashing overall expenditure on education are entirely different things. Under the prerequisite of upgrading the quality of manpower, the expenditure on education should be raised rather than slashed. The savings thus made should be injected into education programmes again.

In this year's policy address, Mr TUNG has put much emphasis on a knowledge-based society, challenges from around the world, nurturing of talented people, and so on. All this requires persistent investment in education. However, I noted when glancing through the policy agenda that the new initiatives to be taken in connection with education are confined to "simplifying the teaching grade structure of public sector schools" and "improving language education" only. Just three days after the publication of the policy address, Prof Arthur LI, the Secretary for Education and Manpower, "broke the news" on his own accord in a press conference that the Government was studying the feasibility of adjusting the senior secondary and university tuition fees. Madam Deputy, here I would like to make it clear that I have great reservations about the proposal of raising tuition fees. In addition, the Education and Manpower Bureau has recently indicated its plan to reduce the frequency of inspecting tutorial schools, slashing its subsidies for schools operating under the English Schools Foundation, reducing the scale of adult education, and so on. All these developments seem to be running counter to the commitment made by Mr TUNG. We are indeed worried that Mr TUNG has merely given us another "dishonoured cheque". In the Question and Answer Session held days ago, Mr TUNG conceded that the ratio of university students from overseas should be raised. While I agree that this will upgrade the overall quality of students, universities must not admit fewer local students while admitting more students from the Mainland and overseas countries. Subsequent to our repeated urges on the Government over the past several years to increase university places, Prof Arthur LI eventually undertook to increase university places at the end of last year. As a result, the age participation rate of university education will be restored to 18% from 16.5%. Under the prerequisite that no additional

resources will be given, I am worried that the admission of more non-local students will impact on the number of university places available to local students.

The key to enabling Hong Kong to transform into a knowledge-based economy lies not in the number of mainland or overseas talents we can admit. What matters most is the upgrading of local talents, particularly the manpower quality of the next generation. To do this, we must make improvements in a comprehensive manner, from basic education to university education, continuing education, and so on.

On university education, the sequelae caused by reduced funding are emerging one after another. Let me take the Law Faculty of the University of Hong Kong as an example. I have been told that resources would be cut by 20%. This will certainly have an impact on standards. The Lingnan University has also recently announced its plan to reduce the number of credits students are required to earn as Mr Edward CHEN, the President of the University, has expressed his hope of giving students more time to read and pursue self-learning. Yet, it is undeniable that there will be fewer lessons than before. In addition, Prof Arthur LI admitted earlier that, owing to tight resources, the change of the academic system in universities from three years to four years, though widely recognized, would not be implemented until 2010.

As regards associate programmes, Prof POON Chung-kwong, President of The Hong Kong Polytechnic University, has recently reiterated that, due to substantial cuts in subsidies, manpower were forced to be slashed and this would probably affect the quality of the programmes offered. Should the associate programmes be forced to "lower their standards according to the level of the fees charged", the quality of teaching and learning will drop accordingly, and eventually the entire community will suffer.

As for primary and secondary schools, discussions about small-class teaching have dragged on for more than a decade. This goal was indeed agreed by the Education and Manpower Bureau in 1992. Many people from the education sector and I have repeatedly urged the Government to capitalize on the opportunity of a decreasing population of school-age children to progressively reduce the number of students in each class in primary and secondary schools. Regrettably, the Government has not been able to make decisions on this matter despite discussions have been held. What is more, it has even made up the

excuse that many studies and experiments are still pending. Even Prof Arthur LI, an avid advocate of small-class teaching, was forced to "make a U-turn" in a motion debate held earlier in this Council. This is very disappointing indeed. Prof Arthur LI, many people have high expectations on your appointment as the Secretary for Education and Manpower. I hope you will not be reduced to a "treasurer". What is more, I hope you can truly develop an open and rich culture in Hong Kong. Thank you, Madam Deputy.

MS CYD HO (in Cantonese): Madam Deputy, the Chief Executive has talked a lot about the importance of the development of creative industries to Hong Kong, and I fully agree with him. The reason being, apart from our geographical location, time zone, the diligence and gung-ho spirit of our people, our only other advantage is creativity. However, the nurturing of creativity needs room. Parents and teachers who come into touch with children and young persons have to give them room, keep rules to the minimum, encourage students and young people to ask questions and question authority. However, this is not the culture in our schools, and students are rarely encouraged to develop their imagination. A Form 7 student once told me that in answering a question on the functional constituency election system in the school examination, their answer must be based on the model answer that listed the merits of functional constituency election. If they said that the electoral base of that system was small and it was unfair to the general public or that this functional constituency election system was not consistent with the standards of human rights covenants, then no marks would be given and they would fail this part of the examination. Why should our schools allow only one answer to a question? Why is it that the analytical power of students will not be taken into consideration? Is it because the schools do not actually wish students to have unconventional views and if their views are different, albeit only very slightly, then the schools have to point out at an early stage that those are unacceptable and they should not act in such a manner when they grow up? The education environment is the main reason for the students' lack of creativity. If everyone sticks to the model answer, then students will behave in a stereotyped manner when they grow up and everyone will become robots.

Education does not only take place in classrooms for interaction within the whole community will also affect the development of students. An even greater problem is, our political environment runs counter to the idea of promoting creativity for it kills imagination. The latest example is, in marketing the

proposal on enacting laws to implement Article 23 of the Basic Law, government officials have criticized certain similes and analogies for being exaggerations, untruthful, unrealistic or even deceptive. On the one hand, the Government tells the public to be creative, and on the other, it has stuck a negative label on such commonplace descriptions, thus there is no way in which creativity can be developed. Strictly speaking, metaphors are certainly far from the truth and one will not simply describe everything as they are seen, because the speaker wants to be more vivid in his description and create a dramatic effect. However, the use of such metaphors will neither improve nor lower the quality of arguments analysed. The fact is, everyone is free to use metaphors. Some people will say that legislation to implement Article 23 is right and proper, while others may say that it is not acceptable in heaven and on earth, but there is absolutely no cause for concern and certainly no need to distinguish such views as simplifications or exaggerations. However, since we can see the world in a drop of water, I am even more worried that after the proposal on legislation to implement Article 23 is passed, there will be even more barriers on thoughts and expressions. By then, even if someone say that a certain issue is black, no one will dare to point out that it is actually white. Eventually, the public will not even be able to tell the truth with a clear conscience, not to mention creativity.

DR DAVID CHU (in Cantonese): Madam Deputy, the standard of the education system in Hong Kong is on the whole rather high and it is comparable to those countries with world-class standard education. For example, the average standard of our secondary school students in mathematics is definitely higher than those in the United States and Britain; many Hong Kong students are studying in world-class universities and have attained outstanding results. Certainly, constant reform has to be carried out to every system. However, I hope the Government would not make the existing system too off-putting by "bad mouthing" it. I hope it will not put all the blame for the numerous problems with the education system on teachers, as this will not only undermine their morale, but also the confidence of students and parents in teachers. As a result, the education reform will merely be put in a more difficult position. Like any other reform launched by the Government, in implementing the education reform, the original foundation should not be demolished before a new one is built. Instead, the new system should be completed first before demolishing the original one gradually. Besides, in the course of demolition, the merits of the original foundation should be kept and transferred to the new system. Thank you, Madam Deputy.

MR ANDREW CHENG (in Cantonese): Madam Deputy, during the briefing yesterday, the Secretary for Home Affairs showed us an elaborate policy agenda, and he thus won our open commendation. The Home Affairs Bureau has certainly done better than other Policy Bureaux in this respect. But I also think that given enough time, other Policy Bureaux would also be able to present their policy agendas to us in a similar manner.

The Home Affairs Bureau has undeniably offered lots of very good advice on matters relating to creative industries, and the Democratic Party very much agrees to the relevant views of the Secretary, but I still hope that he can, as soon as possible, announce a specific agenda and concrete proposals on creative industries. As their name so clearly suggests, creative industries are about enabling the people of Hong Kong, especially young people, to embody their ideas and creativity in artistic creation, such as films and other cultural pursuits.

(THE PRESIDENT resumed the Chair)

Madam President, I do not know whether you have watched the film "Infernal Affairs", recently the most talked about Hong Kong production, extolled by many as "top-notch". Even the Chief Executive has talked highly about this film. So, I suppose many people in this Chamber now, including the two Secretaries, may have watched "Infernal Affairs", one of the recent Hong Kong productions which even the people of Hong Kong find worth watching. Those who have watched "Infernal Affairs" will certainly remember Andy LAU's part, an undercover triad element in the police. "Infernal Affairs" owes its success to a mixture of different elements — the confounding of right and wrong, the two undercover agents trying to rake up the other's secret identity and the intricate relationship between triad societies and the police. All these elements are blended in a thrilling film full of tension.

However, Madam President, I am not sure if you are aware of one thing. When the police first learnt that part of the plot of this Hong Kong film was about a triad undercover agent in the Police Force of Hong Kong, they were highly dissatisfied and requested that the part of Andy LAU be deleted. I suppose I must praise the producer of this film for his wit here. He submitted to the police a script of "Infernal Affairs" which did not contain Andy LAU's part as an undercover triad. It was only because of this that approval was given and the shooting of the film could continue. The version of the film now being

screened is different from the one submitted to the police for vetting. The box-office success of "Infernal Affairs" is indeed a real-life version of "What millions died that Caesar might be great". By raising this point, I wish to ask the Secretaries here whether the hindrance posed to "Infernal Affairs" by the law enforcement agency would affect the creative element of creative industries.

Another example I wish to raise is SHING Fui-On, an actor whom Members are very familiar with. This actor specializes in playing a triad debt collector. He once wished to play a policeman in a film. But because the police thought that he did not look like a policeman, he was not allowed to do so, nor was he permitted to wear any police uniform. Such are the hindrances. I hope that with the efforts of the Secretary for Home Affairs, participants in creative industries can give full play to their ideas. I hope that in future, film production in Hong Kong can enjoy the same unlimited scope of creativity found in Hollywood and the United Kingdom. I believe that in Hollywood, no matter how filthy the police are depicted in a film, no one will ever put up any hindrance.

Earlier on, Ms Cyd HO said that the enactment of legislation to implement Article 23 of the Basic Law would limit the scope of creative industries and the arts and culture in the future. I agree with her very much. What I have said just now makes me think of one situation. If one day, "The Long Hair" says he wishes to play the part of a Legislative Council Member in a film, the authorities may say "no" on the grounds that he does not look like one. Well, if Secretary for Security Regina IP hears what I am saying, she will certainly say that I am trying to mislead people. She will certainly say, "No, things will not be like that." But the fact remains that the enactment of legislation to implement Article 23 really worries us. If the Policy Bureaux concerned especially the Home Affairs Bureau, which handle issues in connection with creative industries, also think that we are over-worried about the enactment of legislation to implement Article 23, I hope that the Directors can join me in persuading Mrs IP to produce the relevant legislative provisions and let us examine for ourselves whether our worries are unnecessary. I believe that the problems mentioned will pose certain hindrance to the Secretary's work of fostering creative industries in the future. I hope that the scenarios described by us today, the many examples cited just now and all the incidents in the past will never occur in the future. I also hope that the Secretary can enjoy unlimited room in implementing his policies in the future.

Thank you, Madam President.

MR IP KWOK-HIM (in Cantonese): Madam President, since we will be faced with a fiscal deficit of \$70 billion in the next few years, any ways that can revitalize the economy should merit our consideration. I also believe that our rich traditional culture can bring Hong Kong considerable economic benefits. The DAB very much supports the Government's promotion of creative industries. The creative industries within the realm of home affairs cover the fields of the arts, performances, handicrafts, music and culture. These have all along seen participation by many young people, either as a hobby or as a leisurely pursuit. If we can provide systematic training and development prospects to young people, we can certainly turn simple hobbies and leisurely pursuits into industries and increase the number of jobs ultimately.

The development of creative industries requires many cultural, artistic and creative talents. Besides, the promotion of creative education can train up an endless supply of talents for creative industries. A German artist has recently offered \$200,000 to purchase a bronze sculpture made by a secondary school student in Hong Kong. Apart from illustrating the value of artistic creation, this incident also confirms the role of the school as a cradle of creative artists. I very much hope that the Government can complete its studies on creative industries as soon as possible, and that we can hear some concrete strategies from the Secretary in the coming few months.

In fact, whether we wish to encourage creativity or promote culture, we will always need the support of an institutional framework. The DAB thinks that the institutional framework recommended in the consultation paper of the Cultural and Heritage Commission, including the establishment of a Libraries Board, a Museums Board and a Culture Foundation, should be implemented as soon as possible. We believe that under this new framework, there will be a clearer definition of roles and division of responsibilities among the Home Affairs Bureau, the Leisure and Cultural Services Department and the Hong Kong Arts Development Council in terms of culture and venue management. The "one-stop" funding mechanism to be implemented by the Culture Foundation will also lead to efficient resource allocation.

Hong Kong is a meeting point of Chinese and Western cultures, a place for both Chinese people and foreigners. For this reason, we must respect the rights and interests of the ethnic minorities. We notice that there are many problems in this respect, however. We have received complaints about various matters, including taxi drivers refusing hire by Africans. In other cases, Indian and

Pakistani children who do not know any Chinese are forced to study in Chinese-medium schools. We hope that the Administration can review the different policy areas and find out whether there are measures and policies which lead to racial discrimination. And, we also hope that proper measures can be adopted to eliminate discrimination.

The Administration in fact already set up a racial relations group last year for the purpose of handling complaints against racial discrimination and offering advice. Besides, the Committee on the Promotion of Racial Harmony has also been set up to advise the Government on public education and publicity. The DAB is concerned about the work of the Committee and hopes that its efforts can make Hong Kong a more harmonious society.

I also wish to say a few words on the sports policy. I am pleased to note that Secretary Patrick HO has set down a number of objectives in his policy agenda: to assist Hong Kong elite athletes in achieving good results in international events; to foster total community participation in sports activities; and, to hold more international sports events in Hong Kong. Last year, the authorities published the Report of the Sports Policy Review Team and the various sectors of the community have put forward many views. Insofar as the achievement of the above objectives is concerned, I hope that the Government can set up a sports commission as soon as possible to offer advice on the formulation of a sports policy and the allocation of funds. It is also hoped that such a commission can co-ordinate the efforts of the various sports organizations and increase the resources for the Hong Kong Sports Institute, so as to enhance the training of elite athletes in Hong Kong.

I so submit.

DR TANG SIU-TONG (in Cantonese): Madam President, in the chapter entitled "effective governance", the "dual village-head system" is claimed to be an open, fair and just electoral system consistent with the Hong Kong Bill of Rights Ordinance (HKBORO) and the Sex Discrimination Ordinance (SDO), and is even seen as a means to promote "effective governance". Madam President, I would like to remind the authorities that the carefully designed "dual village-head system", once implemented, will only impact on the existing order of rural areas, divide villagers, destroy the harmony of villages, and do immense harm but no good to "effective governance"!

Insofar as District Council constituencies are concerned, a population of 17 000 or so can form one constituency. All permanent residents aged 18 or over may elect a District Council member to serve their community by way of a "one man, one vote" method in a simple, easily understandable, fair and just manner. Under the "dual village-head system", however, the number of electors may range from several scores to not more than 10 000. Each indigenous village must be represented by at least two, and at most five, village representatives. With functions overlapping one another, village representatives will represent different electors. While they are not subordinate to one another, there is no mechanism in place to enable them to make decisions. When views are divided on village affairs, we will see, in less serious cases, discussions being held with no decision. In more serious cases, however, disputes will intensify and lead to polarization and struggles through the use of force. How can such a system be described as being able to achieve "effective governance"? Actually, what does "effective governance" really mean?

As for voter qualification, consideration will be given to the "blood relationship" of indigenous villagers and the "land relationship" of non-indigenous villagers. Being entirely different, these two concepts should not be applied to the same election in the first place. However, the authorities still see it not complicated enough. For the purpose of electing a village representative, the authorities will have to examine, in addition to "land relationship", whether a villager has lived in a certain village for at least three years and whether the village is his "principal place of domicile". If a villager has two "homes", and if he has lived in the village for less than 183 days in a year, he will be disallowed from voting, even though he was born and raised locally, and possesses property and land in the village. But this is not enough. The authorities will have to examine whether he is living in "village-type domestic premises". If he is living in a "small-house housing estate" built by developers, he might lose his eligibility to vote, even though the housing development is located in the same village. Civil servants wishing to serve the public in their spare time are not allowed to run for election too. The application of such a complicated concept and the imposition of hurdles one after another merely for the election of a village representative without administrative power is rarely found, or indeed unprecedented, in other parts of the world. How can this grass-roots election be described as open and fair when it is subject to so many regulations, with some people being given one vote, others two votes, and some others no vote at all?

Madam President, although it has been stressed that the "dual village-head system" is consistent with the HKBORO and the SDO, I have been tendered legal advice that the system is actually in violation of both ordinances. The authorities may eventually face legal challenges should it force the system into implementation.

Madam President, it is proposed in the policy agenda that the structure and functions of advisory/statutory bodies will be reviewed. This reform has indeed come too late. In this connection, I would like to remind the Government that the review of the functions and powers of the relevant bodies must be carried out in a concrete manner to prevent the Government from being accused of indirectly manipulating the elections of the Legislative Council or those of District Councils. Should such accusations be found tenable, the fair, open and just image that the Government has tried so hard to achieve for many years might be tarnished overnight!

I so submit.

MR ERIC LI (in Cantonese): Madam President, the Chief Executive places strong emphasis in the policy address on upgrading the quality of the people. However, he stresses more on how to attract overseas talents to invest or work in Hong Kong. I think the concept is important and is a timely policy. However, in the long run, the upgrading of the quality of the people should be achieved, apart from bringing in overseas professionals effectively and continuously, through strengthening and liberalizing the local education system in order to assist the future younger generation to adapt to the restructuring economy.

As I said in the Chief Executive's Question and Answer Session, I believe Hong Kong should make extra efforts in its tertiary education to make up for the lost ground. Changes should be introduced to open up its traditionally closed-door education system to absorb overseas students in large numbers, so as to revitalize the tertiary education of Hong Kong.

It is estimated that a total of about US\$12 billion was spent by overseas students in the United States in tuition fees and living expenses in 2002. The Ministry of Commerce has listed tertiary education as the fifth major industry in the service industries of the United States. Meanwhile, the absorption of large numbers of high-calibre overseas students has further enhanced the reputation of

renowned universities in the United States. Local students of the United States are thus able to enjoy the benefit of studying and growing in a liberal and rich international culture without going abroad.

Let us take a look at the situation in China. It has become one of the countries that have sent out the largest number of students to study abroad. Annually, there are 25 000 students going abroad to pursue their studies. According to a survey conducted by the United Nations Educational, Scientific and Cultural Organization, as of the end of 2000, 380 000 students from China were pursuing studies in 103 countries and territories all over the world. As for Chinese students studying in the United States, the number of such students stood at 59 939 at end of 2001. In order to attract more such overseas students, many United States universities and colleges have set up special reception counters to receive them cordially.

Given such an enormous market, what has Hong Kong done to attract the mainland students who are so much closer to us? According to the information released by the University Grants Committee, there were only 1 781 non-local students in the academic year of 2002-01. And among such students, most of them, at 1 462, are from the Mainland. So, is it because the academic standards of the universities in Hong Kong are not good enough? Obviously, this is not true. According to a ranking table of the MBA courses in the world in 2002 compiled by the *Financial Times*, The Chinese University of Hong Kong again stands out as the best in Asia, and ranks the 20th in the world. And on the ranking table of MBA courses in 2002 compiled by *The Economist*, the Hong Kong University of Science and Technology ranks 80th in the world.

As for Hong Kong, Mr CHEUNG Man-kwong said most of the parents in Hong Kong have a loving heart for their children. The number of Hong Kong students pursuing studies in overseas countries is gradually rising each year. According to the statistics provided by the Education Department, the number of students pursuing studies in the United States, Canada and Australia had increased from 11 259 in 1999 to 15 075 in 2001, representing an increase close to 34%. These three years saw Hong Kong suffer from the most severe deflation, intensified negative equity situation and the most drastic drop in its Gross Domestic Product, yet Hong Kong people still took concrete action to express their dissatisfaction with the education system of Hong Kong. With the Government allocating as much as \$55.3 billion annually to education, the policy of Hong Kong obviously does not embrace the concept of competition and "has

suffered a major defeat", if we look at the situation from the perspectives of industry or investment, or against the context of the overall international market for services in education.

Let us examine if the universities in Hong Kong possess the right conditions to share part of this market. All along, universities in Hong Kong have adopted English as the medium of instruction. And as far as I understand it, before other universities in Southeast Asia began to develop, the universities in Hong Kong had been playing a leading role in the region. Therefore, we do possess the right conditions to develop this industry. We may also break with the tradition that education is just a major expenditure item of Hong Kong, or a burden, as claimed by a certain group of people, or an investment with no specific return. We may also take this opportunity to enhance the academic standard, the linguistic competence and even the international social skills of Hong Kong local students. In order to achieve this objective, I believe Hong Kong has to take a slightly different angle.

If we take a look at the history of China, we can say that it is a history of making use of Western knowledge in the Chinese way. Since the Han and Tang Dynasties, the Chinese people have been adopting a tolerant attitude towards the Western culture. If China wants to become strong, it must continue to learn the advanced technology and management skills of the West. On the other hand, English is a tool of communication. Under the globalization of world economy, it is imperative for us to master the international language which is commonly used in international commerce, in order to maintain our competitive edge. As an international metropolis of China, Hong Kong must first free itself from the constraints imposed by narrow patriotism, so that it may highlight its advantage as a place where the Chinese and Western cultures come together. Only in this way can we live up to the theme of today — our claim to a rich and liberal culture.

The education of Hong Kong has been at the crossroads of reform for years. Yet, the way in which policies on education are directed will have a major bearing on the future of Hong Kong and the prospects of the younger generation. So the Chief Executive has been insightful in proposing that we should make good use of the advantages of Hong Kong to revitalize our economy. We do not need any grand slogans or magnificent theories. All we have to do is to formulate some pragmatic policies on education to cope with this proposal.

In the speech I delivered in the session on revitalizing our economy, I said that upgrading the quality of our people was the most significant factor determining our success in the economic competition. And in the process of competition, including the competition in respect of services in education, we must adopt a positive and forward-looking attitude. We can no longer adopt the devious way of improvement, that is taking three steps forwards, then move one step backwards. If the train of education can charge forward in the right direction at an amazing speed, then we can proudly proclaim we have done our fair share for our posterity.

MR WONG SING-CHI (in Cantonese): Madam President, I shall speak mainly on the youth issues. I hope to share with the two Secretaries the views of the young people on the policy address. After the release of the policy address, some social service organizations conducted an opinion poll among young people and discovered that only about 20% of the young people were satisfied with the policy address. Among the rest of the young people, the majority feels that the policy address has nothing to do with them. It is because, in their eyes, the Chief Executive has focused mainly on economic development or tackling the problem of fiscal deficits in the proposals or directions suggested in the policy address. He seems to be indifferent to the young people.

The policy address stresses that the Government will explore specific measures to promote and assist the creative industries. On this issue, 18% of the young people interviewed say that they are interested. However, insofar as the development of creative industries is concerned, it seems that our present social, cultural or even the education systems do not encourage the young people to develop and nurture their creativity. A survey conducted by a youth service organization reveals that nearly 65% of the youths think that although the Government encourages the development of creative industries, the present education and examination systems do not encourage the youths to nurture their creativity. The present education system seems to emphasize recitation and memorization. Students will be eliminated by the examination if their academic results in grammar school subjects are not good enough. Under such circumstances, it seems very difficult for the young people to bring their creativity into full play. Besides, even if they take design courses in private schools, there seems to be no career prospects for them after graduation. Under such circumstances, how can the young people give play to their creativity? What can they expect from creativity? Under social and family pressure, their creativity will gradually be eroded away.

The policy agenda also mentions that the Government will initiate a study on the feasibility of setting up a Hong Kong Visual Arts Academy. The Democratic Party has repeatedly put forward suggestions in this regard during the past few years. This year, we can see that the policy address has made this suggestion. We welcome this suggestion, and hope that the Government can implement the proposal, so as to enable youths with different talents to develop their abilities in different directions.

In fact, a greater obstacle to the development of creative industries is the prevalent social atmosphere and culture. An example can be found in the recent wall graffiti incident at the Cultural Centre. It is not surprising at all to see young people becoming over-excited under the influence of such a strong festive atmosphere. However, the whole community, including the wife of the Chief Executive became very agitated over the incident. It seemed that they had over-reacted. People in the community began to ask, "Why actually should our young people behave like that?" In fact, our young people have always been like that. They just never had a chance like that to express their feelings, or they had never been given such a chance. In this incident, there was even one peculiar measure — the police cleared the area and sealed it off. Under such circumstances, how can the community have the tolerance to accept the creativity of the young people? A little naughty and restless behaviour was immediately suppressed by high-handed measures. How can the young people give full play to their creativity?

Human resources investment is another area to which the Chief Executive attaches great significance. The Chief Executive says that our hopes are pinned on the youths. The Chairman of the Commission on Youth has already submitted a draft report, in which some recommendations have been made on the ways of providing multi-discipline training activities for the unemployed young people in society, or ways of enhancing their employment skills. We still do not know what recommendations Dr CHOI has made. He is not a Bureau Director, and the Commission on Youth does not have any actual authority, yet the Government has still entrusted them with such significant duties. How will the Government and the Commission on Youth co-operate? Or how can the Government enable the Commission on Youth to play a meaningful role in its work? We hope the Government can answer these questions in concrete terms. Unfortunately, the Government has decided not to recruit any civil servants this year. The Commission on Youth is in fact studying how to help the young

people to find a way out and look for jobs. However, if the Government does not create any new posts, how can the young people have more opportunities in finding a job? This seems to run counter to the research work undertaken by the Commission on Youth. Obviously, there is a lack of co-ordination.

On the other hand, on investing in human resources, the Chief Executive has said that the Government will firmly invest in education. He went so far as saying that investment in education would remain our priority, notwithstanding the need to address our budgetary problems. However, during the past year, can the educational departments and bodies be exempted from implementing savings programmes? The answer is in the negative. Educational departments and bodies have to cut their expenditures as well. After the release of the policy address, Prof Arthur LI immediately said that the tuition fees might have to be increased. He said this was an agenda item that would be given further discussion. In fact, the Secretary is now trying to find a way of making the young people pay more tuition fees. This has dealt a blow to their desire to pursue education. How can the students stop themselves from worrying after listening to the remarks made by the Secretary? Therefore, I am not surprised at all to learn that the young people are dissatisfied with the policy address this year. Thank you, Madam President.

PRESIDENT (in Cantonese): Does any other Member wish to speak?

(No Member responded)

PRESIDENT (in Cantonese): If not, Council will now be suspended for 10 minutes. Public officers will speak when Council resumes.

7.35 pm

Meeting suspended.

7.45 pm

Council then resumed.

PRESIDENT (in Cantonese): Council now resumes to continue with the third debate session. Public officers will now speak. They have up to 45 minutes in total for their speeches.

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, as pointed out by the Chief Executive in the policy address, our people are our most valuable resource and the key to building a knowledge-based economy.

To cope with our economic transformation, the quality of our manpower resources must be constantly upgraded. The Chief Executive has also reiterated in the policy address the importance of persistent investment in education and enhanced manpower training.

That there are only two new initiatives in this year's policy agenda related to education does not mean the Government is no longer taking education seriously.

These two initiatives have precisely touched the core of education: language education and teachers. We will continue to support quality education and put these two initiatives into full implementation, albeit our resources are tight.

The policy agenda has proposed two new initiatives for education: First, to improve language education and the language proficiency of the people, that is, biliteracy and trilingualism, through a package of measures recommended by the Standing Committee on Language Education and Research (SCOLAR); second, to rationalize and simplify the teaching grade structure of public sector schools.

People who are biliterate and trilingual can enhance Hong Kong's competitive edge in the international arena. Proficient language ability is the basic skill students must master for the purpose of learning and lifelong learning. A package of recommendations recently proposed by the SCOLAR in the Action Plan to Raise Language Standards in Hong Kong is indeed worthy of government support. I hope various sectors can respond actively to the relevant recommendations to enable us to put them into implementation as soon as possible.

In activating the education reform, the Government has, on the existing good foundation of language education, embarked on enormous preparatory work, which will facilitate the implementation of a series of measures proposed in the "action plan":

- to establish language curricula standards;
- to enhance the professional development of language teachers;
- to promote the culture of reading and upgrade resources and support;
- to provide more room for language learning and materials.

I have talked about the enhancement of the professional development of language teachers. Teachers indeed play an important role in the course of promoting quality education. To cope with the needs of teachers' professional development and school management and development, we will review the teaching grade structure and salary structure, including such grades as school heads, and degree and non-degree teachers. The underlying principle of our review is to streamline the structure so as to institutionally promote and encourage teachers' professional development and reward teachers with excellent performance. The review will cover the ratio of teaching posts of various ranks, the feasibility of establishing the rank of deputy heads in primary schools, duty allowances for senior teachers, and so on. Preliminary recommendations are expected to be made in the second half of this year. Various sectors and relevant educational bodies will then be consulted for advice for the purpose of formulating a comprehensive, streamlined teaching grade structure.

On the other hand, the Education and Manpower Bureau will continue to promote a series of unfinished education reform programmes. These student-oriented programmes seek to create room for learning and teaching for schools, teachers and students, with the ultimate aim of enabling students to develop their personal characteristics in the domains of ethics, intellect, physique, social skills and aesthetics. This will cover reforming the admission system, promoting students' balanced, all-round development, reforming the curricula and teaching methods, improving the assessment mechanism to allow teachers to, through different mode of assessment to collect data, demonstrate the impact of different

conditions and abilities on the learning results of students. To do so, students will be able to know their own strengths and weaknesses and make constant improvement. At the same time, teachers will be able to review and improve their teaching approach. All this is conducive to upgrading the effectiveness of teaching and learning.

A joint review of our medium of instruction (MOI) policy and the Secondary School Places Allocation System will be conducted in the 2003-04 school year. The underlying principle of our MOI policy is to minimize the language barriers faced by students in the course of learning to ensure that they can effectively acquire subject knowledge and develop high-level thinking.

With learning effectiveness as the underlying principle, the review will analyse objective data and information, examine long-term plans, formulate a secondary school places allocation mechanism and an MOI policy acceptable to schools, parents and teachers.

Efforts to fully implement whole-day schooling in primary schools will continue to be made to enable all primary students to study in whole-day schools. The objective of enabling 60% of primary school students to study in whole-day schools was achieved in the 2002-03 school year. The Government is determined to continue to work towards this objective of enabling students to receive quality primary education.

In order to achieve the objective of putting whole-day schooling in full implementation, 78 schools have been built and 41 more will be built. Moreover, in pursuit of the objective of implementing whole-day schooling, the Government has made a special effort to convert popular uni-sessional schools. The demand will be constantly reviewed and more schools will be built when necessary. Discussions will be held with schools still operating in bi-sessional mode, and a pragmatic and flexible approach will be adopted to achieve full whole-day schooling. Careful consideration will be given to the actual situation of various schools and conversion arrangements and timetables will be handled with greater flexibility. Other problems caused by conversion will also be handled in a flexible and pragmatic manner.

Besides the proposals in respect of primary and secondary education, those made by the University Grants Committee (UGC) in the Higher Education Review will be implemented too.

The Government has accepted the recommendations of the UGC and immediately lifted all current restrictions on the number of non-local students pursuing postgraduate courses. In addition, the number of non-local students pursuing publicly-funded degree courses and postgraduate programmes is relaxed and raised to 4%. We believe non-local undergraduates and postgraduates can enrich the learning experience of local students and the academic experience of teaching staff. This will in turn help stimulate healthy competition, enhance cultural exchange and benefit education. We will continue to hold discussions with tertiary institutions, consider further relaxing the restrictions and encourage them to admit non-local self-financed students to their degree programmes.

The arrangement of operating certain sub-degree and postgraduate programmes on a self-financing basis will be implemented in a progressive manner to reduce the impact on tertiary institutions and prevent existing students from being affected. Resources saved in sub-degree programmes will be largely channelled back to the sub-degree sector to benefit its students.

To strengthen manpower training is also a priority task for the Education and Manpower Bureau. We will continue to take various measures to strengthen manpower training. Emphasis will be put on two key tasks of setting up a qualification framework and an associated quality assurance mechanism and conducting a manpower projection survey.

Besides encouraging the people to upgrade their own knowledge and skills, we will set up a qualification framework. This framework seeks to provide information on the standards of programmes and training institutes and set out ways to pursue learning in a clear and flexible manner, so as to help aspiring people to formulate their own plans of continuing learning to enhance their own value.

We have planned to set up an advisory committee on industry training to formulate training specifications for individual industries. The membership of the committee will comprise employers, employees and other stakeholders. Through the participation of these people in the formulation of training specifications, employers can ensure that all training programmes can provide workers equipped with the skills required by the industries, and the qualification conferred by the training programmes are recognized by employers.

To tie in with the implementation of the qualification framework, we will set up a comprehensive quality assurance mechanism. All programmes must be vetted by the mechanism before being admitted to the qualification framework to ensure that they are able to attain the required standard and thus enhance the acceptability of the qualification.

The setting up of a qualification framework and a quality assurance mechanism can help ensure the quality of the training programmes and create favourable conditions to promote the development of more diversified programmes which can respond swiftly to the needs of social and economic development. This will eventually help promote continuing learning to enable members of our working population to continue upgrading their own competitive edge and meet the changing needs of the market.

In order to grasp more accurately the supply and demand situation of the manpower market, a new round of projection work is, based on the latest population and employment data, being carried out, following the projection carried out in 2000 with respect to manpower resources. The latest projection will analyse the manpower demand of various trades and industries, job categories and education levels, and the manpower supply of different education levels by 2007. We seek to complete the relevant work by the middle of this year.

Our projection will also cover interviews with employers, in which they will be asked about their future manpower requirements, including their manpower resources for operating business on the Mainland. In addition, a household survey will be conducted to explore the taking up of employment by Hong Kong people on the Mainland as well as their intention of expanding their business there. These data will help us grasp the impact of our gradual integration with the Mainland on the local manpower resource demand.

In the new round of projection exercise, we will particularly make an in-depth analysis of individual industries with development potentials, namely logistics, tourism, financial services, professional services and information technology. Special efforts will be made to analyse the development, growth and future manpower demand of these industries and the views of the industries on their future.

The projection outcome will help us formulate an appropriate direction to ensure that our policies can satisfy the manpower demand of the territory.

Some Members have expressed concern about the assistance we offer to people with an education level below Secondary Three. Through various programmes, we are now providing training to people with a low level of educational attainment to enhance their competitive edge in the job market.

The Employees Retraining Board is currently offering 100 000 or so places annually to provide vocational training to people aged 30 or above with junior secondary level of education. With its full-time programmes being linked with employment, the average employment ratio of trainees is 70%.

The "Skills Upgrading Scheme" has also been launched to provide focused skills training for in-service grass-roots workers with a level of education at secondary or below, with the purpose of upgrading their skills and in turn enhancing their competitive edge in the labour market. Fifteen industries are now covered by the Scheme.

We have also launched the Continuing Education Fund to encourage members of the community to pursue continuing learning and strive for self-improvement, so as to enable the local working population to get prepared for the knowledge-based economy. People aged between 18 and 60 with no university qualification may make applications under the Fund.

Upgrading the quality of our manpower is a long-term and arduous task. In addition to government efforts, we require active participation by employers, employees and training organizations. Members are welcome to give their valuable advice on our manpower training work.

We are determined to implement the above-mentioned new initiatives or ongoing initiatives, despite our tight resources. Based on the objects of optimizing resources and upgrading the quality of education and manpower training, the Education and Manpower Bureau is now reviewing various expenditure items in detail. We are determined to inject resources into necessary items and minimize items with little economic effectiveness or unnecessary items so that resources thus saved can be transferred to other areas.

The relevant review has not yet been finalized. However, as pointed out by Members, we have taken the lead to merge the Education and Manpower Bureau with the Education Department. The new structure began operation on 1 January this year. Subsequent to the merger, \$14 million in expenditure can

be saved annually, and the formulation of policies can dovetail more closely with their implementation too. All this precisely manifests the spirit of streamlining structure and optimizing utilization of resources.

Through proper redeployment and utilization of resources, we will strive to work better and in a more efficient and more productive manner.

Thank you, Madam President.

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, first of all, I have to thank Members for their concern about our work in home affairs. I will try my best to respond to the arguments raised by Members and briefly outline the work of the Home Affairs Bureau in the new year.

The Chief Executive has stated the five major policy areas of the SAR Government in the second term in the policy agenda. Besides enlightened people with a rich culture, the four remaining areas of work are more or less related to the Home Affairs Bureau.

The policies under the charge of the Home Affairs Bureau are very extensive, covering human rights affairs, district administration, cultural and recreational services, civic education and building management. On the whole, we wish to establish a social partnership, enhance community building and nurture a civil society through these services.

As it has always been doing, the Home Affairs Bureau will endeavour to assist people in expressing their views to the Government so that they know and exercise their rights and fulfil their obligations, and to give people a stronger sense of belonging to Hong Kong and help them become more accomplished in respect of recreation and culture through cultural, arts, recreational and sports activities. We will also launch various initiatives under the policy agenda to serve the public.

Firstly, in regard to village election within the scope of effective governance, I wish to respond to the point made by Dr TANG Siu-tong. Our objective is to resolutely implement the ruling of the Court of Final Appeal. Last October, the SAR Government submitted the Village Representative

Election Bill (the Bill) to the Legislative Council. The Bill incorporates the village representative election system into the statutory framework to ensure that village elections are more open, fair and impartial and consistent with the provisions of the Hong Kong Bill of Rights Ordinance and the Sex Discrimination Ordinance. The relevant Bills Committee has made great progress in scrutinizing the Bill and we intend to resume the Second Reading debate in the Legislative Council next month. Subject to the Bill being passed, the Government will immediately begin voter registration and it is planned that a village representative election will be held in the latter half of this year.

I have to emphasize that the existing proposal has been made after over two years' preparations and consultations and is supported by the Heung Yee Kuk and most residents of the rural areas. I have to thank various sectors, especially the Heung Yee Kuk, rural committees and the indigenous residents of the New Territories living in Hong Kong and Europe for their understanding and support that facilitated the smooth conduct of work. I take this opportunity to call upon Members to support the passage of the Bill.

Madam President, revitalizing our economy is the Government's major task and the Home Affairs Bureau will play its part within the scope of creative industries, the local community economy, and culture, recreation and sports.

Creative industries are in a word industries that "use the brain to reap profits". The Creative Industry Task Force of Britain has designated 13 industries as creative industries and they include software and computer services, publishing, music, design, advertising, film and video, art goods and heritage trading, game design, television and movies, fashion design, performing art, architecture and handicraft. These industries have four major characteristics:

- (1) original products given intellectual property protection;
- (2) creative ideas very often originate from culture and art, therefore, the humanities quality, cultural acumen and cross-cultural communication ability of practitioners are very important and they have to be matched by the whole social environment;
- (3) the industries are private enterprises driven by commercial interests; and

- (4) few obstacles to entry with relatively low venture capital, qualifications and technical threshold and the venture costs can be reduced by means of information technology, contract staff, shared resources and partnership.

As pointed out by Mr Timothy FOK, Mr Andrew CHENG, Mr MA Fung-kwok and Mr IP Kwok-him, creative industries are exquisite art, they are not purely commercial culture of poor taste but cultural products made in response to market demand. Thus, prosperous creative industries can drive multi-layer cultural life.

As a whole, our policy is to improve the business environment, uphold the free economy, nurture creative talents, and encourage investment by local and foreign business sectors with a view to promoting partnership among creation workers and entrepreneurs. The Government will consider how to suitably encourage the offer of more courses related to the creative industries by tertiary institutions; encourage the business sector to establish an investment fund to assist creative products in entering the market; consider how to suitably relax the restrictions on land and the use of factory buildings to accommodate creative industries; and assist in the promotion of local creative brands as well as protect the intellectual property rights of local creative products. Pinpointing at different creative industries, we are prepared to negotiate with practitioners in various creative industries to get a grasp of data and business strategies before working out specific industry strategies. The principle of our policy is to improve the business environment and promote free economy.

Mr Andrew CHENG has indicated during the debate that the contents related to creative industries as suggested by us are devoid of specific measures, and Mr Timothy FOK has also referred to the need to subsidize creative industries. I wish to stress here that the creative industries must be led by the non-government sector and based on commercial principles. The role of the Government is to promote, encourage and reduce unnecessary obstacles; therefore, it is not suitable to spend a lot of public money on subsidizing certain industries. Mr MA Fung-kwok worries about the unclear division of work among different Policy Bureaux of the Government, but I can tell Mr MA that the Home Affairs Bureau and the Commerce, Industry and Technology Bureau will jointly study the specific proposals for promoting and assisting in the development of creative industries. We are now conducting various studies and planning to enhance communication with industry participants to understand their

needs and listen to their views in order to formulate suitable policies that will be launched one after the other within the next 12 to 18 months.

Mr IP Kwok-him has also mentioned the work of the Culture Commission. The Culture Commission has already conducted a second public consultation and the Legislative Council held a motion debate on 18 December last year. The Culture Commission will carefully consider the views of various sectors and submit the final report to the Government within the next few months.

We will very carefully consider the final report to be submitted by the Culture Commission to the Government later, the consultancy report and the views of experts and the public before formulating suitable policies to further improve public cultural services (including libraries, museums, performing arts venues and common areas) and the modes of management, with a view to further enhancing the quality of services and upgrading the cultural attainment of the people.

Insofar as sports policies are concerned, we have outlined the future sports policies in the sports policy review report published in May 2002, and such policies include sports for all, elite sports, schools sports, sports administrative structure, venue planning and management and sports subsidy policies. We have received, from the sports, education and political sectors and the public, 300-odd submissions which generally support the Government's proposals. We will strengthen the partnership among the sports sector and the public, promote sports for all, competitive sports, participation in sports and spectator sports in the hope of achieving the three objectives below:

- (a) As Mr IP Kwok-him has said, Hong Kong athletes should pursue outstanding performance in large-scale international competitions, give play to sportsmanship so that all Hong Kong people will take it as an honour and the youth will model on them;
- (b) we hope that all Hong Kong people can regularly participate in sports to build up a strong physique and to give play to the team spirit; and
- (c) to hold more large-scale international sports events to promote people's interest in sports and generate tourism and other business proceeds.

Mr Jasper TSANG and Mr IP Kwok-him have expressed concern about the work of the Home Affairs Bureau in respect of racial harmony. We now have a 6.7 million population, of which 340 000 being ethnic minorities. The SAR Government is determined to promote racial harmony and improve understanding among people of different races. The Home Affairs Bureau set up in 2002 the Committee on the Promotion of Racial Harmony which is composed of representatives of non-governmental organizations and the Government. It advises the Government on public education and publicity for the promotion of harmonious racial relations as well as improves mutual understanding among people of different races. The Government also established a race relations unit in June 2002 specializing in the relevant work to improve services provided to ethnic minorities. It provides secretarial services to the Committee on the Promotion of Racial Harmony and implements publicity and education proposals made by the Committee.

Furthermore, to assist non-ethnic Chinese new arrivals in integrating into the community as soon as possible, we will allocate resources to respective non-governmental organizations this year (the year 2002-03) and the next to offer Chinese and English language courses.

Mr MA Fung-kiat has expressed views on our heritage protection policy. Certainly, the suitable preservation of cultural and historical buildings and their cultural environment really helps highlight the contrast between new and old buildings, promote diversified changes in building, enhance the historical sentiment of people and broaden their humanities horizon. Precisely because of these, we have to enhance the effectiveness of the preservation of heritage and monuments. We will consider different proposals and screen and select buildings or architectural clusters with historical value and comprehensively consider and assess their historical value and significance to contemporary culture to facilitate the formulation of preservation strategies in future. We have already completed a survey that identified buildings throughout the territory built before 1950, and it is a foundation study for preservation purposes.

We have launched a comprehensive and systematic review on the basis of this study, considering how we can better protect heritage and monuments in the hope of ensuring the continuation of the mass cultural memory of Hong Kong people whilst this modern city keeps developing.

Mr WONG Sing-chi is concerned about our work in respect of youth affairs. The Chairman of the Commission on Youth submitted to the Chief

Executive the relevant draft report in late December last year. The report has made many recommendations and we are now studying them. We intend to explore in depth the whole report and the relevant proposals with the Commission on Youth. In view of the fact that some young people dumped a lot of rubbish and put graffiti outside the Cultural Centre during Christmas and the New Year Eve last year, we also intend to invite members of the Commission on Youth and the Committee on the Promotion of Civic Education to take part in a retreat meeting to jointly study the relevant report on youth affairs and focus on the discussion of such issues as civil education for the youth.

Madam President, since I have assumed office as the Secretary for Home Affairs, I have already visited the 18 districts in Hong Kong and met members of the community. I very often hear people complain about their dissatisfaction in life, but some of them have mentioned issues in connection with the general economic environment, and some others on the failure of government services to catch up with demands of the community. Nevertheless, I have also heard expectations of the SAR Government and remarks of mutual encouragement. Thus, I wish to share with Members my views.

After the reunification and under the prevailing trend of global industrial restructuring, Hong Kong has experienced a painful transition. We have to face various challenges and, in addition to coping with competition from outside the territory, we have to look for new impetus for the new economy. It can be said that Hong Kong is facing a period of changes. We owe our well-off modernized society with good public order to the struggle by the older generation and advanced individuals. Public administration in Hong Kong is clean and highly efficient and people are clear about various human rights and freedoms and it has become an established way of life of Hong Kong people. It is a success we can take pride in. An advanced modernized society emphasizes the rights and obligations of various parties and there will inevitably be arguments during a period of adjustment under economic restructuring. Apart from making unremitting efforts, the community has to be more accommodating and caring. I believe our modern society will be more united and diversified in the future, people will be filled with creative ideas and tender feelings and the will to struggle, and they will be able to overcome various difficulties and create a better tomorrow for themselves and Hong Kong. As the Secretary for Home Affairs, my goal is to achieve all of the above.

Members have just made insightful criticisms and suggestions about the work of the Home Affairs Bureau, and it is heartening that they all care about

Hong Kong, our home. I would like to extend my gratitude to Members again and my colleagues in the Home Affairs Bureau will consider these suggestions so as to further improve our administration.

Thank you, Madam President.

PRESIDENT (in Cantonese): The third debate session ends.

PRESIDENT (in Cantonese): We will now move on to the fourth debate session. The policy areas for this session are "environmental affairs, housing, planning, lands, works and transport".

MR CHAN KAM-LAM (in Cantonese): Madam President, the policy address of this year is more concise and smooth than those of previous years. It is a clear departure from the past style of touching briefly on every policy, which generated a lot of discontent.

As the Secretary for Housing, Planning and Lands Mr Michael SUEN had already announced his new housing policies on 13 November 2002, so the policy address did not dwell at length on this aspect. However, recently there have been a lot of discussions in society on the effectiveness of the "SUEN's Nine Strokes". I think it is understandable that these measures will not produce immediate effects in the short term. This is because the local economy on the whole still has not entered a stage of steady revival, so potential buyers and investors are still taking a wait-and-see attitude, and they would not strike the deals easily. However, I think the Government should closely monitor changes in the market and social environment, and review whether the subsequent development of the policies could achieve the desired effects.

It is beyond doubt that the bubble economy in the property market has brought a heavy burden to bear on the economy of Hong Kong. Before the reunification, the prices of flats were so high that they were like some chains attached to the people — they were so straitjacketed that they could hardly move. The people had to spend the majority of their savings to pay for their flats. The

monthly instalment of the mortgage could account for as much as half of their total income. The people would invariably complain that they had to work for their whole life just for the flats. However, there were also people who wanted to bet on their luck — they think that "Owning a flat will ease their worries for life." The continuous upward adjustments of property prices did give many people a lot of expectations. Some people made handsome profits from the substantial increases in property prices. However, there were more who became victims even though they were just home buyers. The landslide decrease in property prices made these people owners of negative equity assets. They were the worst victims of the bubble economy in the property market.

The bubble economy in the property market brought about two major consequences: the shrinking of assets in the financial system and the over-development of housing construction. Therefore, the main objectives of housing policies should aim at solving such bad consequences. The Democratic Alliance for Betterment of Hong Kong (DAB) is of the opinion that the thrust of the housing policies of the Government should be "stabilizing the property prices, and safeguarding the assets of the people".

The former British colonial administration in Hong Kong pushed up the property prices in the '90s on the one hand, and constructed a large quantity of public housing on the other. So the bubble economy in the property market was largely attributable to the former Administration. As of now, more than 3 million people are still living in public housing. From this, we can see the extreme intervention by the former Government in the property market, which is not found in any other place. Housing projects planned at around 1997 were gradually completed at the post-reunification period when major changes in the economic conditions of Hong Kong emerged. The completion of these projects created an oversupply of flats that subsequently led to a drastic drop in property prices. As said by Mr Michael SUEN in his statement that day, the property market is under "very unusual conditions", therefore, the Government has to adopt some "unusual measures". The DAB supports these measures.

Due to the economic transformation of Hong Kong in recent years, large numbers of industrial buildings have become vacant. Although the Government encourages the owners to change the use of such industrial buildings, and even actively changes some major industrial areas into commercial areas, it fails to realize that, given the prevalent property market, it is very difficult to convince

the owners to inject substantial capital into converting their factory premises. Some factory premises have been left vacant for a long time. If the owner of such premises applies for a change of land use, he will have to make a major investment to convert the building and pay a substantial regrant premium. The DAB has repeatedly requested the Government to adopt a flexible policy in processing applications for changes of land use. For example, the regrant premium can be paid in instalments, or the premium should be calculated at a preferential rate in order to reduce the re-investment burden of owners of factory premises. The DAB thinks that, under the present economic downturn, leaving such a large number of factory premises vacant is a waste of resources. Although such resources are private resources, the present situation has restricted the investment scope and sentiment of investors. The responses made by government official to the DAB have been very disappointing. They said that the payment of regrant premium in instalments would not render too much assistance to owners of factory premises, whereas calculating the premium at a preferential rate would mean a loss of government revenue from premium. In short, "no way" at all. Did the Government charge a premium when it designated the site for the Sheung Wan Gala Point? When the Government launches all kinds of local community economy projects in different districts, has it considered the loss of revenue from premium? What kind of benefits it will bring to the economy as a whole when large numbers of private industrial buildings are left vacant? If the flexible policies can enable owners of private factory premises to convert or redevelop their properties, the outlook of the old industrial areas can be renewed and additional job opportunities and investment opportunities can be created. What can the Government lose? I hope the Government can reconsider the proposals made by the DAB.

I so submit, Madam President.

MR HOWARD YOUNG (in Cantonese): Madam President, I shall briefly outline the opinions of the Liberal Party on the housing policies in the policy address. Although the policy address does not dwell on the housing policies at great length, Mr Michael SUEN already announced his nine-measure package for stabilizing the property prices, thereby redefining the role of the Government in the property market. Therefore, the policy address just reiterates the determination of the Government in stabilizing the property market and promoting the restructuring of the economy.

The property prices have dropped over 60% from the highest point, so the properties held by many owners have become negative equities. This has dealt a blow to investor confidence and sentiments, and accelerated the rate of deflation. Last November, the Government announced the "nine-measure package" to stabilize the property market and minimize its intervention. The initial market response has been quite good, and the sales of flats in new development projects have obviously shown some improvement in particular. The people have also shown enhanced confidence in home ownership. We have also heard of less comments against the oscillating housing policy of the Government. We may say that "SUEN's Nine Strokes" have achieved some initial results.

The policy address also mentions that 40 000 new households are formed each year. Besides, most of the residential flats are medium or small ones, so many people, if their financial conditions permit, would like to buy larger flats to improve the quality of their life. Therefore, there is the potential demand for first-time purchases and trade-ups. It is beyond doubt that demand does exist in the property market. In addition, as the downward trend in the property market has persisted for several years, so there is pent-up purchasing power.

However, I wish to point out that, after the introduction of the "SUEN's Nine Strokes", the property market has not shown any signs of rekindled vitality. As for the reasons, I think apart from the fact that there is an abundant supply of new flats, it is also because the secondary market is still very quiet. Last November, the proportion of sales of new flats to second-hand flats is about three to one.

In December, which has just passed, the Chairman of the Liberal Party, Mr James TIEN, moved a motion debate to urge the Government to relax the mortgage ceiling of 70% for residential flats in its guideline to banks, and to improve the criteria and procedure for approving applications under the mortgage insurance scheme. The motion was passed by this Council.

Although the Government insists that relaxing the 70% mortgage ceiling in its guideline would increase the exposure of the banking system, and that the present "one-stop mortgage and insurance" service can in effect provide second-hand flats buyers with mortgage loans at 90% of the value of their flats, we think that since the banks are flooded with capital, they would only be happy to lend more money to clients. Also, banks would not approve mortgage

applications without checking the repayment ability of borrowers even if the 70% mortgage ceiling is relaxed or cancelled. So, the banks should be able to raise the mortgage interest rate according to the risk involved. Therefore, we hope the Government can really consider this proposal and continue to identify ways of revitalizing the secondary property market.

In conclusion, the Liberal Party hopes that the Government could improve the present loan arrangement so as to complement other measures for stabilizing the property market, thereby restoring the confidence of the people in investment and consumption.

I so submit.

DR RAYMOND HO (in Cantonese): Madam President, air pollution is an issue of enormous concern to Hong Kong people in recent years. As the problem of air pollution is by nature cross-boundary, we must step up our co-operation with the Pearl River Delta (PRD) Region. The SAR Government has also realized the significance of this aspect in recent years, and started close co-operation with the relevant authorities in the Mainland. Such efforts merit our support. In the policy agenda of this year, the Government proposes to launch a pilot emission trading scheme among power plants in Hong Kong and Guangdong Province. This also indicates that the co-operation between the two sides has entered a new phase.

Although emission trading schemes have been adopted in certain overseas countries, their experience cannot be fully applied to the situation in Hong Kong and Guangdong Province, in particular considering that the systems in Hong Kong and Guangdong are different, and that there are also great differences in the emission standards of the two places. I hope the SAR Government and the relevant authorities in Guangdong can, through this pilot scheme, seriously explore the possibility of implementing such a trading scheme in both places, and then decides whether it could be adopted and be further extended to other industries.

Apart from strengthening the co-operation with neighbouring areas, the SAR Government should also endeavour to promote measures to improve the air quality in Hong Kong. I believe Honourable colleagues may recall that in May

2000, Members of this Council formed a All Party Clean Air Alliance, and put forward as many as 16 proposals to the Government. Although some of the proposals were accepted, the Government should seriously follow up other proposals in the policy address, such as expediting the process of making to legislation require drivers to switch off engines while the vehicle is idling, as well as setting up duty-free diesel filling stations in the border areas.

On the question of recovery and recycling, the Government will introduce a landfill charging scheme for construction and demolition waste in 2004 to implement the "polluter pays" principle and also launch a pilot scheme to test a wet-and-dry garbage sorting in 2003, in order to extend its application to the recovery of domestic wastes, but it has been very disappointing for the Government not to propose any concrete measures to encourage the development of recovery and recycling industries. If the Government does not take the lead in offering incentives policy-wise, it will be very difficult for green industries to develop. As for developing renewable energy resources, the policy address only gives a passing remark of "promoting the use of renewable energy". Hong Kong aspires to become an international metropolis, but it is miserable that it lags far behind the developed countries in these two aspects. In this regard, Hong Kong will find it difficult to take a confident stride in front of other countries in the international community of environmental protection.

However, the policy agenda mentions that the Government may examine in detail technologies for recycling and desalination through a pilot scheme. If my memory is correct, a motion debate was held in this Chamber last December on desalination. At that time, a colleague presented some relevant research information. In such information, it was mentioned that the cost of desalination for each cu m of water was \$7.7, whereas the cost of importing raw water from Guangdong plus treating was just \$4.5 per cu m. If these figures are valid, the cost difference between the two methods is quite substantial. And I believe the cost involved in recycling waste water will also be very high. Unless some new technologies in the future can reduce the costs substantially, I suspect at the present stage if recycling waste water and desalination could achieve the Financial Secretary's standard of "cost-effectiveness". Should we choose not to adopt such methods at the moment?

As for other areas such as planning and engineering, I already expressed my opinions in this Chamber yesterday when we debated on "revitalizing the

economy". Due to the time constraint, I am not going to repeat them here. However, I hope the two Directors of Bureaux will consult the Official Record of Proceedings of the Legislative Council and adopt my suggestions in the implementation of their policies in the future.

Madam President, the above are my personal views on environmental protection policies contained in the policy address and the policy agenda. I so submit. Thank you, Madam President.

MR ANDREW CHENG (in Cantonese): Madam President, I will spend the remaining several minutes mainly on discussing with Dr LIAO the question of transport fares, over which she has commanded the most public support since her assumption of office. It is because I am worried that Dr LIAO, in reviewing the adjustment mechanism of public transport fares in future, would be caught in the filibustering by some overbearing heads of transport operators, thus inhibiting the mechanism from being implemented at the end of the day. This might create an adverse impact on and precipitate a drop in the relatively high popularity rating enjoyed by Dr LIAO.

Why do I say so? It is because Dr LIAO will consult the public and the Legislative Council on this mechanism after the Chinese New Year. I hope the Secretary will discuss with various operators as soon as possible, as the Secretary has repeatedly stated that this mechanism is determined by a host of factors, which is absolutely agreeable to the Democratic Party. The Democratic Party also shares the view that this should not be a simple formula. Rather, it should take account of such factors as fuel, labour, requisite investments in the future, service improvement, and so on. In this connection, every transport operator, such as the Kowloon Motor Bus Company (KMB), New World First Bus Services Limited, Citybus Limited, Kowloon-Canton Railway Corporation and MTR Corporation Limited, may have different factors and hence different formulae. If discussions are not promptly opened with them, I am worried that many complications would arise in the process, making it impossible for an agreement to be reached even after rounds and rounds of discussion. If that happens, and if the economy remains in the doldrums, public pressure and grievances would intensify. This is the first point, and I hope the Secretary will understand it.

Second, I hope that this mechanism can be activated not only by transport operators. We must think about this. Is it possible for the Government or the Legislative Council to activate this mechanism? Allowing fares to be adjusted upwards or downwards would facilitate control on bus operators, in which case the bus operators would not only increase their fares. They have all along effected fare increases only, not willing to lower them. So, the Government and the Legislative Council must look into whether they should have the power to activate the mechanism for the purpose of fare reduction. I hope the Government will consider this, and even some options in overseas countries to see if control measures will be taken to cap the fares and set objective criteria for automatic increase or reduction in fares. Regular reviews should be conducted to ascertain the validity of factors considered under the mechanism, so as to avoid disputes. This is my opinion on the mechanism.

Madam President, another issue is the waiver of diesel duty for franchised buses since 1992. The Government has, for a long time, persistently told us about the pressure of fiscal deficit in the policy addresses. But I very much hope the Secretary can use the trump card, by telling Mr John CHAN, the senior executive of the KMB which is making huge profits, that the Government has the power to levy from the company diesel duty, from which the company has long been exempted. I am not suggesting that the Government should reclaim the duty that has been waived. I am only asking whether it is necessary for the Government to review the waiver of diesel duty in future. It is because despite the Hong Kong economy has continued to worsen, the bus companies have not fulfilled their corporate obligations by way of fare reductions to repay society. Whenever the waiver of diesel duty is discussed, they will threaten to increase their fares. A few months ago, Mr John CHAN said that a fare reduction would only help those passengers who need no assistance. I must put it to the Government and Mr John CHAN the other way round: Over the last 10 years, the Government has provided too much assistance to the KMB, a transport company that does not require too much assistance. If we make some calculations, we will see that the waiver of diesel duty for the KMB primarily involves tax amounting to \$300 million to \$1 billion. If this sum of money is collected by the Treasury, the deficit could certainly be alleviated, and as the Transport Department and the Chief Executive can ultimately reject its fare increase, the fiscal deficit could be alleviated on the one hand and assistance could also be given to the public to ease the pressure of expensive transport fares on the other. This is the trump card of the Government, and this measure absolutely merits consideration. Madam President, I so submit.

DR TANG SIU-TONG (in Cantonese): Madam President, in respect of planning, the Government has always been indecisive and bogged down in unnecessary worries. This is best reflected by the progress of planning for the border areas. The Government has recently proposed to build a prison on Hei Ling Chau, which is very far away from the urban areas and the Court. What the transport and security arrangements can be made for prisoners to attend trial in court?

Even planning for new towns is also fraught with problems. Take Tin Shui Wai as an example. The road network is confusing and complicated. If one wants to go to a public estate, he has to make lots of detours, and although he can see the estate, he still cannot find the entrance of the estate and so, it is utterly difficult to find his way there.

On public works, although the Government intends to improve the progress of government projects and reduce the time spent on planning, it is downright unimaginable if the public consultation period would have to be shortened for this purpose, because a one-month consultation period is too short indeed. Furthermore, given that not every member of the public reads the Gazette, how can they obtain the relevant information?

With regard to the works projects, the recent farce about noise barriers at Tolo Highway is an eyesore indeed. I would not further comment on this here. The Government should seriously review this, in order not to waste public funds.

Land resumption by District Land Offices smacks strongly of bureaucracy and this has led to profound public resentment. The West Rail will be commissioned very soon in September, but the case of Wah Kei Industrial Centre in Tsuen Wan has not yet been resolved, and this is an obvious case of bureaucracy. We urge the Government to desist from red tape and communicate more with the affected parties in order to identify a viable solution.

Madam President, insofar as this session is concerned, the small house policy can be considered as the policy of which a review has been procrastinated for the longest time. The authorities said as early as in the last century that a review of the small house policy was warranted. Many objectives and dates were also subsequently set, but nothing had been achieved in the end. Now that the small house policy is again put onto the agenda and is listed in the Policy Agenda 2003 as a "new initiative". Perhaps the Government has learnt a lesson

from the dishonoured cheque issued by it the last time around and so, no target date is specified now. But anyhow, I hope the Government can expeditiously make public the proposal for discussion by indigenous residents. This would in any way be better than leaving it to wild guesses.

This is the first large-scale review of the small house policy since its introduction in 1972, and the review will have far-reaching implications on the traditional rights and interests of indigenous residents of the New Territories. Therefore, I urge the authorities to include the following principles in formulating the proposals, albeit they are just preliminary ones.

Firstly, before 1972, that is, before the introduction of the small house policy, indigenous residents of the New Territories could build houses for self-occupation in villages to which they belonged and at places adjacent to their villages in accordance with their own needs and where their financial capability allowed, without being subject to any man-made restrictions. But since the small house policy was introduced, restrictions have increased year after year and a large number of applications are blocked by countless barriers. The rights and interests of indigenous residents are suppressed seriously. This shows that the small house policy is not a system that protects the "privilege" of indigenous villagers, but a mechanism to suppress the inherited rights and interests of villagers. Therefore, the new mechanism must give play to the right of villagers to build houses for self-occupation, particularly their autonomy to build houses on private land.

Secondly, owing to the speed at which applications are now being processed, tens of thousands of applications have been piled up in the Lands Department. Cases relating to Luk Heung, Yuen Long, alone have accumulated to the extent that it will take more than 10 years to have all the applications processed. This shows that the existing mechanism is extremely inefficient in the processing of applications and manpower is not in the least commensurate with the workload. Therefore, the new mechanism must serve to rationalize the existing complicated procedures, and expedite the vetting procedures with the support of sufficient manpower. To expedite the construction of housing to meet the housing needs of the people, a steering committee led by the Chief Secretary for Administration was set up before, mainly responsible for land supply. I hope that in handling the housing demand of over 200 000 indigenous residents, the authorities can treat them equally and duly attach importance to them, particularly in the allocation of land resources.

Thirdly, although Article 40 of the Basic Law provides that "The lawful traditional rights and interests of the indigenous inhabitants of the New Territories shall be protected by the Hong Kong Special Administrative Region", and the Court of Final Appeal has, in the case of village elections, further affirmed the lawful traditional rights and interests of indigenous inhabitants, including the right of male indigenous villagers to build a house once in a lifetime, under the existing small house policy, indigenous inhabitants whose villages were relocated by the Government after 1945 cannot apply for the construction of houses on government land. The situation of "飛丁" (meaning indigenous inhabitants who have moved to live in other places) is even worse, and as a result, their right is just nominal but not exercisable. These inhabitants are no different from the other inhabitants, only that they have moved to live in other places to cater for the development needs of the Government. But what have they got in return? Apart from having to leave their homeland, they even have to forfeit their descendants' right to build houses. The relocation of villages in Tsing Yi is the best example. Now, since the Government will review the small house policy, it should reconsider their rights and interests.

In respect of transport, the construction of the West Rail is no doubt a policy welcomed by residents of the New Territories West. But its design, which falls between two stools, is indeed a laughing stock, and its economic benefits are not obvious. The Northern Link, for which we have been making every effort to strive, will not be materialized in the foreseeable future; this will not in the least be helpful to improving boundary traffic. The Southern Link, however, has got the Government's blessing. But the Southern Link will definitely be competing with the MTR. If a merger of the two railway corporations is materialized, then the situation would be like one's left hand fighting with the right hand, or like the "Kong Ming Fist" (空明拳) of Zhou Baitong (周百通) in *The Story of the Eagle Shooting Hero* (射雕英雄傳) (a martial arts novel), with his left hand fighting with the right hand. This would only cause government resources to go down the drain. I hope the Government will think twice about this.

Given an agreement with the Mainland, the Deep Bay Link of the Western Corridor definitely will have to go ahead. But what arrangements are there when vehicles reach Lam Tei, Tuen Mun? Whether there are incentives for vehicles not to use the congested Tuen Mun Road is a key to success. The Government has not given any explanation in this regard.

Finally, I wish to say a few words on the nature conservation policy. Madam President, to protect habitats of important ecological value is a consensus in society. But the high costs of environmental protection remain a problem. Who is going to pay? The Government has all along been acting generously at the expense of land owners, imposing restrictions on the owners' right to use their land without making any compensation to them. By permanently freezing land development in Northwest New Territories, the Government has built for Hong Kong a beautiful backyard and a world-renowned wetland garden. While everyone in Hong Kong can share the fruits of environmental protection, a small number of land owners are forced to bear the costs of such protection. This is utterly unfair and unjust, and this also violates the principle of the Government to protect private property, including the use of private property. In the coming year, the Government will announce a comprehensive nature conservation policy. Since it is said to be "comprehensive", I hope the Government will not evade the question of who should pay for the costs of environmental protection, in order to do justice to the land owners.

Madam President, I so submit.

MS MIRIAM LAU (in Cantonese): Madam President, to cope with the substantial growth in the flow of passengers and goods between Hong Kong and the Pearl River Delta (PRD), the Government has stated that the construction of the Lok Ma Chau Spur Line and the Western Corridor, together with the improvement works at the Lo Wu and Sha Tau Kok border control points would be expedited. The Lok Ma Chau Spur Line and the Western Corridor are meant to cope with the passenger and logistics flows as estimated originally. But the present direction of Hong Kong is to enhance trade and economic co-operation with the Mainland and speed up the economic integration with the PRD. In this connection, the Chief Executive has proposed a host of measures, such as making ongoing efforts to encourage mainland enterprises to set up regional offices in Hong Kong, and considering further relaxing the current restrictions to facilitate mainland residents visiting Hong Kong. We can foresee that the flow of passengers and goods between Hong Kong and the Mainland will increase tremendously beyond the original estimation. The Lo Wu and Lok Ma Chau border control points are obvious examples. Passenger and cargo flows at these two control points have exceeded the design estimations, resulting in the formation of bottlenecks today. To avoid repeating the same mistake, it is necessary for the Government to review again the existing or planned cross-

boundary facilities and examine whether they can be expanded on the existing basis, so as to enhance their clearance capability vis-à-vis the flow of passengers and goods. Moreover, in respect of cross-boundary facilities, the Government should more actively reflect the actual needs of Hong Kong to the mainland authorities.

Take the bridge linking the territory to the western part of the PRD as an example. The Chief Executive stated that the Central Government had instructed the State Development Planning Commission to carry out a study, and that the SAR Government would do its best to match the relevant effort. The SAR Government should not only act as a facilitator. It should also act as an active proposer. For example, regarding the Western Corridor currently under planning, the Government should also conduct studies and discuss with the mainland authorities on the feasibility of expanding its scale on the existing basis to facilitate the provision of feeder services by various modes of public transport, including buses, taxis, minibuses, and so on.

The next few years will see new development in cross-boundary passenger transport services and new changes in domestic passenger transport services. The West Rail is scheduled for commissioning in the later half of the year, and the Ma On Shan Rail Link will be commissioned in 2004. I support the transport policy of using railway as the backbone. But the Government should not expand the railway network to the neglect of the commercial viability of other means of public transport. The current situation is that as the commercial viability of other means of public transport is shrinking, vicious competition and even confrontation among them have arisen. Furthermore, I am worried that their confrontation may become increasingly acute, given that the ultimate objective of the Government is to increase the patronage of railways from the present 33% to 40% to 50% of the total public transport trips.

The reality is that when a new rail line comes into operation, the other means of public transport will pour out endless grievances. The MTR's Tseung Kwan O Line is a clear example. Since the commissioning of this rail line, taxis, minibuses, franchised buses and estate coaches have all been seriously affected, and they have all been pouring out endless grievances.

To ensure the viability of different modes of public transport, the Government must do more in co-ordination. In the event of overlapping routes, the Government should not only regulate the routes or even cancel them.

Rather, the Government should enhance its role as a co-ordinator. For example, efforts should be made to facilitate co-operation among various modes of public transport to provide interchange concessions covering all modes of public transport. These concessions should not be confined only to interchanging within one mode of public transport or interchanging between two modes of public transport. Such interchange concessions should be applicable to all modes of public transport. The Government can also collect information on the pattern of patronage of public transport to help various transport operators design "package tickets for passengers", so as to attract passengers to travel on different modes of public transport.

Moreover, to improve the business environment, the Government has undertaken to remove restricts and barriers, with a view to increasing the viability of various trades and industries. In this regard, I very much hope that the Environment, Transport and Lands Bureau will urge the Transport Department to abolish more restricted areas, so that taxis can truly provide their passengers with point-to-point service, and minibuses can provide greater convenience to their passengers. Only in this way can their competitiveness be enhanced, thus facilitating the healthy development of public transport. Only when the viability of different modes of public transport is maintained can they play their roles most effectively and maintain their fares at a reasonable level, which will, in turn, ensure more choices for passengers.

Madam President, I so submit.

MR LAU KONG-WAH (in Cantonese): Madam President, when Dr Sarah LIAO took office, I told her that on the transport front, the public considered three problems most pressing. The first is the exorbitant transport fares; the second is the difficulties they face in boundary clearance; and the third is congested cross-boundary traffic. I think the Secretary has been working hard in these directions since taking office. Yet, the situation in respect of these three problems has largely remained deplorable.

On the problem of exorbitant transport fares, the Secretary may note that the DAB has been displaying curbside boards on which there are four Chinese characters, "車費要減" (meaning transport fares must come down) in bold print. These boards have not yet been removed, because transport fares remain expensive. A wage earner can buy a lunch box for \$9.9 anytime in a

convenience store, but if he has to travel from Ma On Shan to Central for work, the transport fares for a round trip will cost him \$30. From this, we can see a very big difference. The daily expenses of many an ordinary wage earner are mostly made up of two items, namely, meals and transport. But transport fares outrageously take up such a large share of his expenses. Of course, thanks to our efforts and the hard work of the Secretary, the transport operators have made some gestures, and it appears that some concessions have been provided. But none of the transport operators have actually reduced their fares in real terms. Certainly, I would welcome all forms of concessions. But a fare reduction is, after all, most practical.

In the next month or two, these concessions may expire and by then, will heated discussions be again aroused in the Legislative Council and among the public? The Secretary might then have to face a test again. What is going to happen in March and April? If the objective to bring down the fares is not achieved, the public will raise this issue year after year, month after month, and day after day, because the high transport fares will pinch them every day. Yes, they can wait for that mechanism whereby fares can be increased or reduced; we certainly very much welcome discussions on this and we will surely look into what it is all about. But let us not forget that this mechanism will have no retrospective effect. Over the years, the other prices have come down, but not transport fares. Even though there will be a new mechanism in the future, it will not be helpful to the current situation in which the public have to pay excessively high transport fares.

In this connection, it is necessary for the Secretary to do some practical work. Certainly, the Secretary may say that they are private companies and the Government cannot possibly step in. It is true that the Secretary can invoke this principle. But the Secretary must not forget that the sectional fares for some routes served by air-conditioned buses and the fares for cross-harbour-tunnel buses as listed on the fare schedules of bus companies are unreasonable, and we have already mentioned this for several times in this Council. We have also asked the Secretary if she has tried to discuss with these bus operators a review of the fares. In the course of the review, the Government can exercise its power, and after rounds of bargaining, it can, on behalf of the public, ask the bus operators to revise their unreasonable fares.

Members have mentioned inter-company concessions, which have not been realized. Concessions jointly provided by the Kowloon-Canton Railway Corporation and the MTR Corporation Limited have not been realized due to

opposition raised by one of the corporations. Therefore, to the people, they will feel that the so-called fare reduction campaign in its entirety may just be empty talk. When will there be a transport route, or a transport operator genuinely offering a fare reduction? This will have to depend on the resourcefulness of the Secretary.

The second problem that is most pressing is the difficulties faced by the people in boundary clearance. Madam President, I think on this point, a certain breakthrough has been achieved, and this breakthrough is a by-product of the implementation of 24-hour customs clearance at Lok Ma Chau, that is, allowing access by taxis and minibuses. I think the development has been swift, and I do see co-ordination and co-operation among various bureaux, and I have also seen the results. So, this breakthrough is by no means a small feat. With regard to the timing, that is, when taxis and minibuses will be allowed access there, some agreements have been reached through mutual understanding and accommodation in the discussions.

With regard to several border control points other than the Lok Ma Chau control point (to be opened up only after the completion of the Lok Ma Chau Spur Line), namely, the Lo Wu, Sha Tau Kok and Man Kam To crossings, I think their full opening up will naturally come to fruition. I do appreciate that the facilities at each of these control points are not designed to cater for such development, and it will require great efforts to make the modifications. However, I have visited all these control points and I basically do not see any major problem technically. So, I hope the Secretary, in the year to come, can work out the timetable for the opening up of the respective border control points. In fact, their opening up will facilitate boundary crossing not only by Hong Kong people. Recently, the relevant bureau and department have approved the operation of two bus routes, one being the Sha Tau Kok route and the other being the Man Kam To route; and we are also involved in the approving process. After the commissioning of these two routes, we can see a side effect and that is, it has become easier also for mainlanders, particularly Shenzhen residents, to cross the boundary to Hong Kong. According to our informal surveys, about 10% to 20% of mainlanders travel to Hong Kong using these two bus routes. So, it is helpful to resolving the difficulties faced by passengers in boundary clearance and can facilitate the flow of mainland capital into Hong Kong.

The third problem is congested cross-boundary traffic. We hope that the completion of three projects can resolve the problem of congested cross-boundary traffic. The first is the completion of the Western Corridor. The

funding application for the construction of the Western Corridor will be submitted to us next week or within the next week or two, with the objective of completing the Deep Bay Link first. What I must tell the Secretary is that whether from the district perspective or from the overall perspective, if vehicles are still caused to use the Tuen Mun Road after the commissioning of this road link, then the problem of congestion would persist. So, with regard to how Route 3 can be put to good use, that is, how public resources can be fully utilized, there must be a definite proposal. I very much hope that when she applies for funding, the Secretary will have a clear answer with regard to this definite proposal. Otherwise, the residents will intuitively think that the completion of these road links will mark the continuation of perpetual congestion at Tuen Mun Road.

Another point that I wish to make is about the bridge linking up Hong Kong with Zhuhai and Macao. A couple of days ago when she briefed the Panel, the Secretary mentioned the bridge and appeared to be quite optimistic, taking the view that the bridge could be completed in a few years. But I can also see and hear some rather pessimistic or prudent views suggesting a longer timeframe for the construction of the bridge. But in any case, I think insofar as this project is concerned, co-ordination among the various parties is of paramount importance. I said to the Secretary the other day that the position of Hong Kong used to be a little "cooler", whereas that of the Mainland "hotter" but now, Hong Kong is "hotter", whereas the Mainland is "cooler". And the Secretary said that she would maintain a constant temperature in her working attitude. I wish to tell the Secretary that it is not enough to maintain a constant temperature unilaterally. A constant temperature must be maintained by all the three sides. So, I very much hope that Guangdong, Hong Kong and Macao can set up a working group to co-ordinate this project, so that this project can be launched expeditiously. Thank you, Madam President.

MR TOMMY CHEUNG (in Cantonese): Madam President, seven years have passed since the Government levied a charge for sewage disposal in April 1995, and a lot of changes have taken place in the interim. There have been two reorganization exercises for the Policy Bureaux, from the then Planning, Environment and Lands Branch and the succeeding Environment and Food Bureau to the present Environment, Transport and Lands Bureau. Five different persons have taken charge of this area of work. At the very beginning, it was Mr EASON, Secretary for Planning, Environment and Lands, who was

succeeded by Mr Bowen LEUNG. Then it was Mr Gordon SIU, followed by Mrs Lily YAM; and Dr Sarah LIAO is the incumbent Secretary. In the interim, the legislature also had several changes of term respectively in 1995, 1997, 1998 and 2000. All these changes in personnel and things have denied the problem of sewage charges proper attention. Seven years of procrastination means that the catering industry has been paying "exorbitantly high" sewage charges and Trade Effluent Surcharge (TES) for seven full years. However, the problem of sewage disposal has not been in the least improved. It is because the Strategic Sewage Disposal Scheme has fallen far behind schedule and failed to achieve the desired effects. What else can the catering industry do, apart from continuing to pay the high sewage charges?

The industry is extremely dissatisfied with the authorities using a Chemical Oxygen Demand (COD) value of 2 000 g per cu m of sewage as the basis for levying the TES. Over the past seven years, a vast majority of appeals lodged by the industry have been allowed, showing that the standard of a COD value of 2 000 g is far higher than the strength of effluents discharged by the industry. After the enactment of the legislation and the announcement of the charges, Members of the Legislative Council admitted that they had overlooked this point. They opined that the standard adopted by the Government for levying the charges was too harsh and they felt that they had been deceived by the Government. Even many of the incumbent Members of the Legislative Council also consider the charges unfair. In fact, 80% of the TES collected by the Government is payable by the catering industry, and the total payment made by the other 29 industries only account for some 10% of the TES. This shows that the charges are unfair to the catering industry.

Moreover, it is costly to appeal against the TES. It costs at least \$20,000 to \$30,000 for each appeal lodged each year. But as the TES payable by 80% of the catering establishments are lower than the cost of appeal, operators are therefore deterred from lodging appeals. As the charges are unreasonable and appeal is not cost-effective, this is not in the least reflecting "polluter pays". Rather, it actually implies that people who do not pollute still have to pay. The catering industry considers that this is downright "highway robbery", for they feel like being robbed by bandits on roads.

The authorities should expeditiously review the charges. The industry proposes that the median COD value of the appeal cases in the past seven years (that is, a COD value of about 1 200 to 1 300 units) be adopted as the new

standard. Indeed, over the past seven years, the catering industry has acquired much more knowledge of and shown much more initiative in sewage disposal. The authorities must immediately simplify the appeal procedures and pare down the administrative costs, so that more operators of small and medium catering establishments can use this appeal system, thereby achieving the objective of encouraging environmental protection by statutory charges.

Finally, Madam President, I am very glad to have heard from Dr LIAO that consideration would be given to outsourcing sewage disposal work. In 1995, I already advised the Government against the deployment of civil servants in the Drainage Services Department and Water Supplies Department to the Trading Fund to take charge of sewage treatment, for the cost is too expensive. Now, Dr Sarah LIAO has taken office as an accountable Director for a term of five years. I hope she can truly outsource this area of work within her term of office. I also hope that she can expeditiously review the reduction of sewage charges and TES and improve the appeal procedures to ensure greater fairness in the system.

PRESIDENT (in Cantonese): Mr Tommy CHEUNG, your time is up.

MR TOMMY CHEUNG (in Cantonese): Thank you, Madam President.

MR LAU PING-CHEUNG (in Cantonese): Madam President, on 8 January, the Chief Executive delivered the first policy address in his second term of office. In this policy address, he adopted a new practice in that he only stated the policy directions, leaving the policy objectives to the Policy Secretaries for elucidation. Perhaps because of this new arrangement, his policy address is briefer than the five previous ones. Apart from the economic integration with the Pearl River Delta (PRD), the policy address has not proposed any significant proposal to revitalize the economy in the short term. Little has been mentioned in respect of infrastructure projects, and this is disappointing to the architectural sector.

In view of a budget deficit of as high as \$70 billion and a high unemployment rate, I agree that the Government must more prudently control public expenditure and explore more sources of revenue. However, apart from mentioning a bridge to link Hong Kong with Guangdong and Macao, the Chief

Executive was almost silent on other infrastructure projects in the entire policy address. It appears that he has neither addressed squarely the problems faced by the construction sector nor proposed solutions. The Financial Secretary, in response to an interview by the media in October last year, remarked that less cost-effective infrastructure projects should be postponed. Subsequently, although the Secretary for the Environment, Transport and Works had repeatedly clarified that the Government's expenditure on infrastructure in the next few years would be maintained at about \$27 billion to \$29 billion each year, the Financial Secretary's remark has led to a big outcry in the construction industry, particularly as the unemployment rate in the industry now stands at 16.9%, which is far higher than the overall employment rate of 7.2%. If the Government contracts its infrastructure expenditure, no doubt it would rub salt into the wounds of the construction industry.

I wish to point out that even though the Government does so in the interest of prudence, it still should not contract its infrastructure investment at this point in time, for this would only result in more construction workers becoming unemployed. The Government must actually have the intelligence and wisdom to make use of its infrastructure investment to help enhance the overall competitiveness of Hong Kong and better still, to create jobs in Hong Kong and hence increase the multiplier effect of infrastructure investment. Needless to say, Hong Kong is an externally-oriented economy and a fair amount of equipment will have to be imported from overseas. If our infrastructure requires extensive procurement of equipment from overseas, it would only quicken the outflow of our reserves. On the contrary, if infrastructure development is conducted by local consortia and work is carried out locally, then this would create a diversity of jobs and the multiplier effect would certainly be bolstered. Therefore, what government officials must do now is to examine the nature of infrastructure projects to be carried out in the future to ascertain which of these projects can create more local job opportunities and then proceed to reprioritizing the projects.

Besides, in carrying out public construction works, the Government can capitalize on the strengths of private consortia as far as possible to promote or even expedite infrastructure projects. For instance, the private sector can be engaged in the form of "Public Private Participation". Take the infrastructure projects proposed by the Chief Executive in the past few years as examples. The plan to develop a cultural district in west Kowloon and an open-space area in South East Kowloon still remain as proposals on paper, and no concrete action

has been taken to implement these plans. The Government should not, because of criticisms of its handling of the Cyberport project, completely brush aside the merits of development by "Private Funding Initiatives", suffocating and strangling creative investment proposals that can be implemented only by way of single tender. It has been reported that last year, the Government declined an investment proposal by foreign businessmen to build an all-weather indoor skiing ground at a cost of \$1 billion because of the fear that this would draw criticisms. Madam President, in the architectural industry for which I represent, there are already concerns that the government headquarters and the new Legislative Council Building that the Government plans to build at the Tamar Site may ultimately abort due to financial considerations. I wish to remind the Government that the continued existence of uncertainties would not do any good to the architectural sector and to society as a whole.

In fact, the Government's introduction last year of measures to stabilize the property market which include, among other things, ceasing the construction of Home Ownership Scheme (HOS) flats and implementing a moratorium on land sales, caused a substantial reduction in the production of housing units in the next few years. The construction industry, having regard for the healthy development of the industry in the long term and the interest of the community at large, however largely supports the measures adopted by the Government. It is because of this reason that the ratio between private projects and government projects has gradually come down from 7:3 in the past when the property market was booming to close to 5:5 now. In view of this, the Government must make good use of government projects to create jobs on the one hand, and pay attention to the cumbersome legislation and regulation on the other, for they would cause delays and shrinkage in private projects.

Faced with a difficult business environment, members of the construction industry are concerned that some legislative amendments may lead to more restrictions on the industry. According to the Secretary for Housing, Planning and Lands, the amendment to the Town Planning Ordinance is meant to streamline procedures and enhance transparency. I wish to point out that streamlining and deregulation are a major trend of professional development worldwide. Apart from fire safety, building safety and hygiene standards that cannot be compromised and lowered, the Government should spare no effort to remove restrictions and barriers for the industry as far as possible, so that the profession can be allowed greater latitude for creation in respect of development planning and building design.

On the other hand, in respect of making legislation to facilitate land transaction procedures, the work progress of the relevant department is far from satisfactory. For example, the Government undertook in 1999 to table draft legislation in 2000 to resolve problems arising from the loss of government lease or difficulties in identifying government lease. But so far, the relevant department has not yet tabled a bill to this Council, making it difficult for transactions to be conducted for some land in the New Territories and even causing disputes over land boundary. Another example is the Land Titles Bill. The Bill was proposed in 1998 to simplify and expedite conveyancing procedures through a deeds registration system. It was only until last month that the Bill was tabled to this Council, pending deliberations by a Bills Committee of the Legislative Council.

In the light of the present conditions of the construction industry in Hong Kong, professionals are willing and have worked hard to pursue development in the Mainland and to explore new opportunities. The Hong Kong Coalition of Professional Services to which I belong and I have just returned from Shanghai today. In Shanghai, we had discussions with the professional bodies there on ways to allow Hong Kong professionals in the construction industry to operate in Shanghai on an equal basis, and good progress has been achieved in respect of some sectors of the profession.

Madam President, in the policy address the Chief Executive talked extensively on the opportunities for development available for Hong Kong after China's accession to the World Trade Organization (WTO), and the need for Hong Kong to integrate with the PRD to become an economic hub in the region. This, I fully agree. However, I wish to point out that the Government cannot just talk but take no action, because not every city is as enterprising and proactive as Shanghai and as willing as it is to admit talents from Hong Kong. Some of the problems encountered by the profession still require assistance from the Government. Insofar as co-operation between Hong Kong and China is concerned, it does not only refer to co-operation between the Central Authorities and Hong Kong, but also omni-directional co-operation between the various provinces/municipalities and Hong Kong.

As we all know, under the WTO agreement, our Motherland, after its accession to the WTO, will have to gradually open up its market in three to five years. Now that the Motherland has joined the WTO for more than a year, consideration has to be given to taking steps to fulfil this undertaking. To allow

Hong Kong to seize the opportunity early, the Central Authorities have agreed that closer economic ties be built up between the Mainland and Hong Kong without violating the regulations of the WTO. The Chief Executive has also revealed in the policy address that the arrangement on the main parts will be reached by June this year. But I can tell Members that for every measure from above, there will always be a counter-measure from below. Hong Kong professionals still encounter resistance from local protectionism in practice on the Mainland and require government co-ordination. For example, for projects carried out by Hong Kong developers in the Mainland, the developers, who are more accustomed to the way of professional operation in Hong Kong, would wish to employ Hong Kong architects. But in some places in the Mainland, restrictions are imposed on Hong Kong architects, allowing them to handle only some initial design work but prohibiting them from working on the more detailed design in the later stage, such as the work plans. Even the Central Authorities are not promptly aware of this situation and so, the Government has to raise this problem for discussion with them in order to find solutions.

Madam President, the persons in charge of some flexible and proactive professional service providers commissioned by the Government have told me that their attitude towards local protectionism in the Mainland is this: "Move on quickly once you see the green light, but make a detour when the red light is on". However, I think we should proactively assist the Mainland to transform its business environment. Otherwise, the pace of our Motherland's integration with the world would be tardy and would take an even longer time. To shorten the time required and to ensure a smoother integration process, the Government must negotiate with the Mainland to reach a consensus, based on which the concrete details can be implemented by the professions in both places. Time flies. "Closer economic partnership" as a transitional arrangement will very soon lose its meaning following the full implementation of the terms of the WTO agreement by the Motherland. If the Government fails to seize the opportunity, Hong Kong might very likely stand to lose such a good opportunity after a couple of years.

I so submit.

MRS SELINA CHOW: Madam President, for a long time, Hong Kong has been the envy of many other cities and countries for being the most efficient place on earth, where infrastructural projects are well-known to finish on time

and within budget. In particular, our urban structures have been the subjects of admiration and compliments.

However, our reputation as the living symbol of the efficient metropolis has been called into question recently. The fast growing developments readily evident in many cities on the Mainland, specifically in Shenzhen and Shanghai, have highlighted the need for us to question why we seem to take so long in coming to important decisions regarding the implementation of the actual construction of projects, including projects which enjoy a strong consensus as to the urgency of their need.

A glaring example is the West Kowloon cultural and tourism district. It is now almost a year after the international competition has concluded, during which an outstanding concept has been chosen. The policy as we have been told is to involve the private sector in its development. Yet, to this day, there has been no announcement as to how this will come about, and when the whole project will be completed. Perhaps Mr Michael SUEN will give us a definitive answer on this very important project which is expected to be the signature of Hong Kong as Asia's world city.

To this day, the Government has not resolved the very glaring problems of reconciling the need for more land especially for the leisure and tourism industry, the partnership between the private and public sectors to hasten the process, and the proper balance between the need for development and environmental protection. Whereas before the handover, we overdid it with development, now development is being held back considerably by the claims of environmental protection. There needs to be some sensible rethinking to attain the right balance, and process re-engineering must be urgently done to speed up development if we are to stay ahead.

MR JAMES TO (in Cantonese): Madam President, I just wish to talk only briefly about several aspects. First, urban renewal. The Land Development Corporation once announced 20-odd projects, and the residents have indeed been waiting for a long time. I think the latest policy as publicized now is very unfair to them. Secretary SUEN appeared to have suggested that given the current tight finances and the deficit problem faced by the Government, plus the fact that many of the projects might incur losses, huge capital injection would be required

before the projects could be completed. But in my view, those projects that have already been announced would affect the residents in a practical way under such circumstances. Compared to projects that have not yet been announced, the resultant effects would be very different. Of course, the Government appears to have accepted that the announced projects should be given priority. But the Government has not said that those projects could be given absolute priority. It has only said that they could be given priority.

However, given the tight finances of the Government, changes have already been made to many redevelopment projects. Now that the projects have been announced for many years, and all of a sudden, it has now been announced that the relevant buildings can be renovated and rehabilitated. I know that rehabilitation can be considered, and this can indeed be an option for some of the projects. But if the redevelopment of a building is already announced and if, according to investigations into all aspects and after in-depth studies and technical analysis, it is still considered that the building should be redeveloped, then that will be a professional decision. If the Government says now that this professional decision will have to be overruled for financial reasons, I would consider it extremely unfair to the affected residents, and it would lead to even bigger problems. I just wish to remind the Government that even though it intends to change its policy, it should handle the announced projects and those that have not been announced differently.

Second, (Mr CHAN Kam-lam is here just in time) I listened to Mr CHAN Kam-lam's speech earlier, and he particularly suggested the Government to change the uses of factory buildings and emphasized the payment of regrant premium in instalments. The Government had rejected this proposal and he strongly criticized the Government. I find this rather queer because in his speech, Mr CHAN Kam-lam supported "SUEN's nine strokes", a principle of which is to reduce the supply of housing in any case. If anyone should propose that regrant premium be paid in instalments in respect of factory buildings with attractive conditions, the only reason that I can think of is that in this person's view, the redevelopment of that area is more desirable and will generate extra benefits. But as far as I understand it, the question is that from the contents of "SUEN's nine strokes" to the majority view of the Urban Renewal Authority, the principle is to tie in with the Government's policy and that is, any initiative that might lead to an increase in supply should be dropped.

Of course, speaking of uses, factory buildings do not necessarily have to be used for residential purposes. And in fact, as we can see from the Government's outline zoning plans in recent years, changes have consistently been made to many sites in the proximity of residential areas, granting the uses may be converted. Therefore, if property developers, even after changing the land use, still do not use the land, then I do not think that this is a question of whether the regrant premium is allowed to be paid in instalments. The proposal made by this colleague is theoretically and realistically in conflict with the principle of tightening up supply which he supports. I hope the Government can see clearly this fundamental principle, and I do not wish to see its left hand fighting with its right hand or its left foot stamping on its right foot. Otherwise, even if some effects might be produced, this would be criticized as extremely confusing.

That property developers had asked the Government to impose a moratorium on land sales has long drawn public criticisms, and Mr Albert CHAN, in particular, has also asked many questions on this before. The Government once acceded to this request and implemented a moratorium on land sales for nine months. It appears that the Government has hitherto ceased land sales, but property developers have kept on making payments for regrant premium. Is this fair by any standard? The answer is yes in the written reply. But is this really fair? Who are the beneficiaries? Regarding this call for a change of uses of factory buildings and payment of regrant premium in instalments, after the introduction of "SUEN's nine strokes", is it fair to projects or initiatives being launched to achieve the objective to which the people or the community at large aspire? Is this a wise move?

PRESIDENT (in Cantonese): Mr CHAN Kam-lam, do you wish to elucidate the part of your earlier speech that has been misunderstood?

MR CHAN KAM-LAM (in Cantonese): Madam President, I would like to make a clarification. In my earlier request to the Government, I was actually seeking to change the use of factory buildings to commercial use, not the so-called domestic use as misunderstood by Mr James TO. Therefore, there will be no change in the supply of land.

Thank you, Madam President.

DR LAW CHI-KWONG (in Cantonese): Madam President, I am speaking on the environmental protection policies on behalf of the Democratic Party. With the exception of the wet-and-dry garbage sorting mentioned in the policy agenda, about which we have some reservations, the Democratic Party in general supports all the other new initiatives.

Presently, many different methods of waste collection are being conducted as pilot schemes, and there are different modes of waste collection. However, only the wet-and-dry garbage sorting is mentioned in the policy agenda. There are also other modes, including the placing of three bins of different colours for differentiating the collection of different types of wastes; some estates have placed three coloured waste collection bins on each floor on an experimental basis; some estates allow waste collectors to collect waste direct from residents in exchange for gifts or cash; some organizations or members of District Council may act as the co-ordinators to collect waste from residents or cleaning companies and then pass the waste to collectors. I believe that different methods do have merits and demerits. I hope the Government can assess the relative cost-effectiveness of the different methods objectively and comprehensively, before it fully promotes the best one.

The policy agenda lists the setting up of the Council for Sustainable Development as an ongoing initiative. In fact, this is quite funny. In the policy address released in October 1999, the Chief Executive proposed to set up the Council for Sustainable Development and then the Environment and Food Bureau. Now, the Environment and Food Bureau has already disappeared. But this Council for Sustainable Development remains an ongoing initiative. It is incomprehensible that the Government has failed to set up this Council in three years' time, but during the same period, it managed to set up a Policy Bureau and then deleted it. This must be the most classical example of "having made decisions without putting them into practice."

The Secretary for the Environment, Transport and Works mentioned on Tuesday in a paper provided to the Panel on Environmental Affairs that the Government would continue to use renewable energy in government works projects on a more extensive scale. The Democratic Party welcomes this development.

Besides, Secretary for Education and Manpower Prof Arthur LI disclosed last Saturday in a press conference attended by three Policy Secretaries who are

all doctors that 650 school premises would be redeveloped. The feasibility of this proposal should better be left to discussions by Mr CHEUNG Man-kwong or other Members. However, I hope the Government can take this into consideration: As the school premises will not be high-rise buildings, they should normally have more space. Therefore, the school premises should be in a better position to make use of renewable energy. This is also more meaningful in terms of educational value. We hope the Government could make renewable energy as a standard facility for new school premises, for this can promote the use of renewable energy on the one hand, and facilitate the educational work of promoting an environmental protection awareness among the people on the other.

I so submit. Thank you, Madam President.

MR FRED LI (in Cantonese): Madam President, I talked about electricity yesterday, and today I wish to talk about water. The agreement between the SAR Government and Guangdong Province on the supply of Dongjiang water will expire next year. This means that the SAR Government should reach another agreement with the Guangdong Provincial Government within this year on the supply of Dongjiang water in the future. Unfortunately, the Chief Executive's policy address and the policy agenda of the Government are silent on how we can strike a better and more appropriate deal on water supply. This is rather disappointing.

All along, Hong Kong has been relying on Dongjiang water as a solution to its problem of water shortage. However, the wastage of water has become a social concern in recent years. The Audit Commission has also questioned this.

In the past six years, Hong Kong taxpayers paid as much as \$3.6 billion for water from Dongjiang. Part of this sum was spent on paying for the water which Guangdong was requested not to supply due to our lower-than-expected demand for water, for the discharge at the boundary of excessive Dongjiang water and for the wastage of water resulting from the spilling-over of our reservoirs.

Three billion and forty million dollars is certainly not a small sum. The economy of Hong Kong is in a poor shape now; the Government has to increase taxes and reduce expenditure; public finances are very tight. How many sums

of \$3 billion are still there for us to waste? The root cause for such a wastage of Dongjiang water is the lack of flexibility in the water supply agreement between Hong Kong and Guangdong. Under the agreement reached, Guangdong Province undertook to increase the supply of Dongjiang water to Hong Kong on a yearly basis to 800 million cu m until 2002. However, because of the shifting of local industries to the Mainland, the actual demand for water in Hong Kong has not really increased as anticipated. An even bigger problem is that even when the demand for water in Hong Kong does not increase, we still have to pay all the charges for the volume of water supply set down in the agreement. This has led to a wastage of public money.

Over 80% of our drinking water now comes from Dongjiang, and the people of Hong Kong have become increasingly dependent on Dongjiang water. The relevant percentage has increased from 50% in 1985 to 80% now, so Dongjiang water has by now become the main source of water for Hong Kong. In April last year, the Water Supplies Department published a research report on opening up long-term sources of drinking water, in which it was pointed out that Hong Kong would still have to rely on Dongjiang water in the next 20 years. For this reason, the Democratic Party is of the view that the Government must come up with an appropriate and flexible agreement on the supply of Dongjiang water.

At the same time, the Democratic Party hopes that the Government can actively study other options of water supply, such as the recycling of waste water. It is hoped that through various different studies, we can identify a source of water supply which is larger, cheaper and more stable.

Yesterday, I mentioned that I had attended residents' meetings in nine housing estates this week, and that I had listened to the views of many housing estate residents. Their opinions can be summarized as two major points. The first point is for Dr Sarah LIAO, and the second Secretary Michael SUEN. These two points are all very familiar to us all. Those residents who attended the meetings were all grass-roots people at their middle age or above, including cleaning workers, security personnel, unemployed people, and so on. They said that their income had gone down, and they were faced with dismissal. They also said that their household income had diminished. And, despite the freeze on rents in the past few years, their life was still difficult. In particular, a two-bedroom unit in a housing estate completed in the past one or two years, that is, a harmony-block housing estate, will cost as much as \$2,000 in rent. This is

quite a large sum for a family earning just \$6,000 or \$7,000 a month. The residents concerned strongly hope that if the Government really wishes to help the people, it should not focus only on integration with the PRD, because that has nothing to do with them. To them, it will be most realistic to reduce the rent payable by them. The second point is on the reduction of transport fares. This is also a long-standing demand of the Democratic Party. These people have to take the MTR and buses every day, and transport fares alone account for 10% to 15% of their income. That is why they have put forward such a request so strongly. For this reason, I consider myself obligated to reflect their aspirations in the policy debate.

I so submit.

PRESIDENT (in Cantonese): Does any other Member wish to speak?

MS CYD HO (in Cantonese): Madam President, actually, we have had several debates over environmental protection during the past few months, so, we have actually discussed many topics in the policy agenda. However, I wish to add one point because the emission trading pilot scheme is a new measure to be implemented by the Government. I wish to say that the communication between officials of the two places was unsatisfactory in the past and fraught with problems. The implementation of the emission trading pilot scheme will involve public service bodies, not just the officials of the two places, and it will also involve the business sector, thus, the costs may finally be shifted onto Hong Kong people.

I hope the Secretary can try her best to disclose to Hong Kong people the direction and details of development and consult them when she negotiates with the Guangdong Provincial Government and the power plant because there will be very limited room for changing the proposal once it has been worked out by the Government and mainland officials after negotiation, and I really do not wish to see such a case. I know that it requires very high diplomatic skills and I also understand that, even if the Government and the public have reached a consensus about the proposal, there is very little room for subsequent changes after the negotiation with the Guangdong officials. Fortunately, Dr Sarah LIAO has said that she is a "thermostat" and I hope her gentle attitude will enable the development of a good co-operative relationship with officials of Guangdong on

behalf of the Hong Kong community and government officials. I also hope that there can be a highly transparent and open mechanism. Furthermore, I hope that Dr Sarah LIAO can represent Hong Kong people in developing good integration with the PRD with Guangdong in the business and trade aspects as well as such other aspects as environmental protection.

Moreover, I wish to discuss the separation of dry and wet wastes. In fact, I fully agree and support it, but what Dr Sarah LIAO said when she first assumed office really startled me. She said that fines should be levied if waste separation was not carried out. There are approximately 2 million households in Hong Kong, how are we going to enforce the law? How can we know if people have separated the waste when they dump their rubbish? While the Secretary promotes waste management and recycling, I hope she will further consider how a balance can be struck in terms of punishment. For example, I was flabbergasted at the Secretary's remark that people who left rubbish on the streets should be jailed. I think that such a punishment is extremely out of proportion.

Madam President, I so submit. I am going to strongly support the direction of work of Dr Sarah LIAO in future.

MR IP KWOK-HIM (in Cantonese): Madam President, there are more than 9 000 buildings which are over 30 years of age in the urban area. In the next 10 years, the pace of ageing of buildings will accelerate. Although the Urban Renewal Authority (URA) has formulated a programme, so far only six formally announced redevelopment projects have commenced. Therefore, we strongly hope that the Government can announce the dates of redevelopment for the remaining projects as soon as possible. Recently, the Government has explored the four major principles of its urban renewal strategy. Today, I would like to express some personal views on the issue of rehabilitation of old buildings in the urban area.

In fact, I very much agree that urban renewal is not just confined to demolishing old buildings and constructing new ones. In an overseas visit to Europe last September by Legislative Council Members, we found that urban renewal there was not just confined to pulling down old buildings, but it also involved a lot of rehabilitation of old buildings, which was conducted very well. Therefore, I think we should also promote the rehabilitation of buildings in Hong

Kong because good maintenance could reasonably extend the life of buildings. This is very significant in terms of environmental protection. Under the present policies, including the policies for old areas, a Maintenance Cost Reimbursement Scheme is in place. Schemes such as this one aim at encouraging owners to carry out suitable maintenance works on the buildings before redevelopment commences in their area. However, the scheme is applicable only to buildings within redevelopment areas, and that the reason for carrying out maintenance works is the violation of certain ordinances such as the Fire Services Ordinance. In short, the URA does not provide any incentives for individual owners to actively carry out maintenance and repairs of their buildings. I think the relevant Policy Bureaux should consider this point.

As far as I understand it, for property transactions in overseas countries, such as the situation in the United Kingdom, banks would usually require the prospective owner to produce a survey report on the property before they decide whether a mortgage could be arranged. Such survey reports would include information on whether there are illegal structures on the premises, and whether there are some hidden problems in the premises, such as spalling concrete. Therefore, the owners would usually pay more attention to the maintenance and repairs of their buildings, in order to prevent the property from falling into very poor conditions.

In fact, the SAR Government may also consider adopting such an approach. I believe it will bring about two advantages: firstly, it will give greater protection to the purchaser as it can guarantee that there is no illegal structure on the premises; and secondly, it will also inject a new culture into the Hong Kong community, that is, the concept of repairing and maintaining premises, which will reasonably extend the life of buildings.

However, people may worry that, if this system is implemented, the already weak secondary property market will suffer from another major blow as most purchasers will then turn to new properties. I admit that this worry may be valid. However, where there is an advantage, there must be a disadvantage. We cannot avoid making improvement just because of some possible worries. Why can we not make good use of this opportunity of relatively low property turnover to bring in this new culture? Therefore, I hope the Government can consider introducing the system of property survey report while promoting the culture of rehabilitation of buildings.

Besides, I would like to discuss the issue of signboards. In fact, Hong Kong has been plagued by this problem for a long time. I recall that I started to be concerned with the issue of signboards ever since I began to participate in the work of district boards. The problem had been discussed for many times in the former Legislative Council before 1997, and then many discussions on it have also been held in this Chamber of the present Legislative Council. However, we still cannot identify any viable solution, and this problem with signboards is still common in Hong Kong streets. There must be tens of thousands of such signboards — some are large and some are small; some are new and some are old; some are simple and some are extravagant. These signboards make up a unique characteristic of Hong Kong, and they have become part of our scene in the course of our development. Yet, the potential problem they pose is really significant. The problem may endanger the lives and safety of the people of Hong Kong, and also affect the structural safety of buildings. Such problems, if not properly solved, will deprive Hong Kong people of protection of their own safety. I really hope that the Policy Bureau concerned can come up with some effective policies and measures. The problem cannot be delayed any more because recently I have received a lot of complaints on the issue, with the majority of such complaints coming from Wan Chai District. I really hope the Director of Bureau concerned can formulate specific proposals on this as soon as possible in order to solve the problem. Thank you, Madam President.

PRESIDENT (in Cantonese): Does any other Member wish to speak?

(No Member responded)

PRESIDENT (in Cantonese): If not, Council will now be suspended for 10 minutes. Public officers will speak when Council resumes.

9.30 pm

Meeting suspended.

9.40 pm

Council then resumed.

PRESIDENT (in Cantonese): Council now resumes to continue with the fourth debate session. Public officers will now speak. They have up to 45 minutes in total for their speeches.

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, the policy address of the Chief Executive advocates the two guiding principles of "capitalising on our advantages and revitalising our economy" and the Environment, Transport and Works Bureau will work according to these principles within its policy areas.

First of all, I wish to discuss transport issues. Members are very familiar with the existing advantages of Hong Kong and transport development is relatively fast and effective since Hong Kong is densely populated. The established policy of the Government uses the railway as the backbone of transportation in Hong Kong, buses as network transport facilities and other modes of transport as feeder or auxiliary facilities. We wish to provide the people with the most efficient and convenient transport facilities.

Under the premise of revitalizing our economy, we emphasize the key strategy of promoting exchange between Hong Kong and the Pearl River Delta (PRD). In respect of transport infrastructure, we will implement a series of measures to support the strategy. I believe Members have recently heard that we are conducting a joint study with the State Planning Commission on the transport ties between Hong Kong and western bank of Pearl River including the need for a Hong Kong-Zhuhai-Macao road passage, that is, the need to build a bridge. We are now jointly studying with an integrated institute under the State Planning Commission such issues as the alignment of the bridge, cost-effectiveness, environmental protection and ecological problems, and we hope that this joint report can be completed within half a year. In the course of the study, we will closely co-operate with various parties in Guangdong and promote expounding and proving of theories as well as explaining our needs or doubts. Through this co-operation, I hope that the bridge can be built as soon as possible because we think that the bridge will have instant effects on passenger flow and tourism, and play an important role in kick starting economic development in

Hong Kong and the Mainland, especially the western bank of Pearl River. Of course, we must conduct this large-scale infrastructural project with prudence, but since studies on the construction of a bridge around Lingdingyang and the outlet of Pearl River have been conducted for almost a decade, many different proposals have been made and detailed studies conducted. At present, we fail to see any difficulties that cannot be solved or overcome.

In regard to the PRD railway, we have also maintained ties and it is hoped that the preliminary study with the mainland Government related to the Hong Kong-Guangdong high-speed railway could be completed within the next few months. Through opening up the passages to the PRD, we wish to make it convenient for mainland businessmen who travel to Hong Kong for business. Besides, pacing up regional development can also give full play to Hong Kong's role as the hub.

Ms Miriam LAU and Mr LAU Kong-wah have referred to the cross-boundary plans and port arrangements. We are actively promoting the development of the border areas in respect of passenger and cargo flows. Policy-wise, we support opening the ports as far as possible. The first measure is the construction of additional cross-boundary vehicle bridges at Lok Ma Chau and Huanggang to cope with the projected growth in cross-boundary vehicular flow. As to 24-hour customs clearance at Lok Ma Chau, in fact, freight traffic has always been clearing the boundary round the clock and the facility has recently been extended to passenger flow. This is also the first matching facility that we have provided to promote close co-operation between the two places. When these policies are implemented, I hope that we can get the full co-operation of the mainland Government including the Central Authorities and local governments. As I have just said, the conditions of each and every port in Hong Kong vary and some needs re-alignment in terms of roads and facilities. Other important factors of consideration include safety, security and convenience to the public. Yet, the most important point is that we will also take various means of transport into account in future when making port arrangements.

We also hope that the transport facilities within the SAR can be rationalized as much as possible so that various means of transport can give full play to their functions. I know Members are very concerned about how various means of transport can be provided with a level playing field to facilitate their provision of quality services. Members also understand that there are limited road resources, therefore, we must carefully consider the demands of various stakeholders when allocating such resources. Insofar as mass transport is

concerned, we must work out a comprehensive plan and consider the match between population growth and other land development proposals during planning. We hope to engage in close discussions with Members in future and that Members will reflect to us news they get in the districts or the needs of people in the districts that they are aware of. We hope that we can consider the matters from a comprehensive angle to facilitate smooth transportation throughout the territory.

The study on the proposed merger of the MTR Corporation Limited (MTRC) and the Kowloon-Canton Railway Corporation (KCRC) is near completion and we hope to announce the result early this year.

The Government appreciate people's concern about transport fares because the issue has direct impact on the people's livelihood. I know that many Members have expressed concern about the issue and they are full of expectations of the recent study on the fare mechanism. I hope that they will not be disappointed. We have preliminarily made a series of quantitative financial analysis. After getting the outcome of the analysis, we will first consider the extent to which a competitive market for public transport exists before considering the operational efficiency. When we consider the future fare mechanism, one of the most important factors for consideration is the activating mechanism. I have said during the last group discussion that we will consult the Legislative Council, the industry and the public. We also have to consider the operating efficiency in devising the fare mechanism and the need to conduct regular reviews.

We understand that we cannot focus only on the existing needs in respect of revitalizing our economy. Although quite a few planned urban development projects may have to be carried out at a slower pace, we can see that the overall economic development must be supported by infrastructure. Therefore, we will carry out the Kowloon Southern Link project at full speed and commence the detail design for the Sha Tin to Central line. In regard to the preparations for the construction of the Western Corridor and the Deep Bay trunk road, we hope to strive for earlier completion by the end of 2005. As Dr TANG Siu-tong has just mentioned, when we put forward the proposal in the Legislative Council, the public was very concerned about western and northern New Territories, especially traffic congestion on the western part of the Tuen Mun Road. We are actively looking for solutions and will discuss with the relevant parties. As regards better utilization of the existing transport resources, we hope that further consideration can be made from the business and construction angles.

I wish to mention in particular that we will apply for funding in the Public Works Subcommittee of the Legislative Council next week and I hope Members will give their support then.

Insofar as public works is concerned, to match revitalizing our economy, we must clearly identify the strengths of Hong Kong. There are many professionals in Hong Kong and they are represented by quite a few Legislative Council Members. I believe they will also agree that talents must be put to good use and we must keep abreast of the times in tandem with technological development. There are many excellent examples and I hope that we can train local talents in the infrastructural projects planned.

The Government spent on average approximately \$27 billion each year on capital works projects in the past five years, and we plan to spend similar amounts each year, that is, a total of \$147 billion in the coming five years. As a result of continuous deflation in recent years, construction costs have dropped and I believe more projects can be carried out with the said funding and more job opportunities can be created in the construction industry.

In the past few years, the Government employed around 35 000 to 37 000 workers each year to take part in capital projects. If \$147 billion are spent in the next five years on the projects, the number of workers needed should not be less.

When we must increase revenue and decrease expenditure now, how best can we improve public works projects? While we must control the amounts of expenditure, we have to maintain the standards of projects, thus, we will enhance supervision accordingly. In regard to planning and implementation, we hope that the procedures can be more cost-effective and transparent so that the projects can be completed in the most efficient manner and in compliance with the principle of fair competition. In this respect, we hope that social resources can be better utilized and the economic impetus can be increased through private sector participation and planning. Mr LAU Ping-cheung has spared no effort in promoting such development and I hope that the Government will fully co-operate with the professionals concerned in developing the relevant opportunities. Though the Government has an outsourcing mechanism, it has to be as strict and clean as possible in administration.

About the conception of projects, at present, quite a few planned projects have frequently been delayed after the completion of technical feasibility studies as a result of changes in project scope and requirements. We will formulate strict rules, requiring Policy Bureaux and departments to clearly explain the planned projects upon implementation and minimize changes as far as possible.

In respect of project design, we also need to choose the most cost-effective design parameters and construction methods. We are going to establish a high-level team to consider and confirm the preliminary design before approving the implementation of detailed works. We will widely adopt efficiency management methods to work out cost-effective proposals that can maintain a high engineering standard.

As far as expediting the implementation of projects is concerned, under the existing legislation, it takes 11 to 17 months to raise objection or mediate objection to projects. However, we hope that the period can be shortened to five to eight months and we estimate that amendments to the legislation will be presented to the Legislative Council for consideration this February.

Moreover, we are studying the procurement methods for public works and we have made reference to local and foreign experience with a view to introducing innovative and more cost-effective methods for the implementation of projects.

As for project waste, Hong Kong produces around 14 million tons of demolition and construction wastes each year, and many of them are stones and concrete fragments that can be recycled. At present, works departments will try their best to use recycled crushed stones in carrying out public works projects. Furthermore, the first recycling factory in Hong Kong started operation last July and its performance has been satisfactory. Thus, we hope to encourage more private organizations to follow suit.

We have incorporated the Steering Committee on Greening into the area of public works because public works offer plenty of opportunities for participation in greening. We also make plans and work out standards together with other Policy Bureaux in the hope of creating a green and beautiful environment and carrying out the relevant work in a more efficient way to ensure the continuous growth of trees and flowers such that high costs will not be incurred by yearly regeneration. Further still, we will invite private sector participation and many

developers have indicated their wish to participate in the project. We have already got the support of quite a few organizations that will work together to beautify the environment.

Lastly, I wish to discuss environmental protection. While revitalizing the economy, every city must have a quality environment to attract investors. For this purpose, we must improve environmental protection. More importantly, people can enjoy a quality environment and health, so that they can enhance productivity and live and work in peace and contentment. We must make investments to enhance quality and make efforts to educate the public.

The policy address this year has raised problems in several aspects. First, natural conservation. The SAR Government highly values the protection of our precious natural resources and around 40% of our land are designated for conservation purposes. It is an extremely high proportion as compared with other places of a similar level of economic development such as Japan and Singapore. An abundance of species have been discovered in Hong Kong and it is our advantage that is not at all inferior to other places larger in area. Actually, when I discussed the matter with many people from foreign places, especially foreigners who have made investments here, they told me that they highly valued our natural environment. Hong Kong has such an excellent and convenient environment as compared with other Southeast Asian countries, which is hard to come by indeed. Therefore, we must take positive measures to protect these natural conservation areas. It is not easy to formulate these policies and measures and we will soon put forward a conservation policy. We hope that the policy is practicable and can better protect places of high ecological value. We also plan to consult the public in the middle of this year. We will work out a comprehensive approach within this year and we hope that environmental protection bodies, academics, land title owners and Legislative Council Members will express their views, in particular, I hope that they can make efforts in respect of private land.

Since the air pollution problem is closely related to us, Members are gravely concerned. Work to improve the air quality has been implemented for years and we are still actively working on it. We implemented the Liquefied Petroleum Gas (LPG) Taxi Scheme several years ago and we are now implementing the LPG Minibus Scheme. These measures seek to ameliorate the air pollution problem in Hong Kong and they have begun to show effects. Yet, I have already said that it takes almost a decade to improve the air quality, so, we will persevere.

Recently, quite a number of Members have complained to me about the poor air quality and they think that I have shifted the responsibility onto the weather. In fact, air pollution is really closely related to weather. Atmospheric pressure leads to the accumulation of pollutants in certain weather conditions. If it is not windy and the meteorological conditions are stable, pollutants will gradually accumulate and the air pollution index will ultimately be higher than the standard. These pollutants are blown to Hong Kong from industrial pollution sources in Guangdong, creating regional pollution problems. For this reason, we are actively co-operating with Guangdong in the hope of achieving the objective by 2010. We have repeatedly explained to the Legislative Council a series of measures that should be adopted to achieve the target of 50% pollution reduction in both places. Certainly, pollution sources in Hong Kong account for 20%, far less than the 80% in Guangdong. Yet, the two parties must make efforts at the same time. The Government has also held many discussions with the Legislative Council on the issue of emission trading. I am very glad that Members understand that emission trading is a cost-effective solution and we are not transporting local resources elsewhere for trading without guarantee. Two Honourable Members by the surname of HO have reminded me that we must be prudent in this trading; otherwise, we may not be able to ameliorate the air pollution problem even though we have spent the money. In my view, the scheme is worth trying and the Government will monitor it and improve air testing. Otherwise, it is impossible for the scheme to be successful in all parts of the world. The two prerequisites must be met and they have something to do with our co-operation with the PRD and Guangdong. Fortunately, it is not the first time that a test is conducted in the Mainland, otherwise, disputes over fundamentals may easily arise. I have just been informed that four mainland provinces and municipalities have already executed a MOU and agreed upon the methods of trading. So, we have precedents to cite and our work should be smoother. Of course, I will continue to report the progress to the Legislative Council.

I wish to make the most important point that the policy agenda has explicitly put forward the "polluter pays" principle. In a free economy market and developed city, people naturally have increasingly higher requirements for the environment. To eliminate and tackle pollution, we must pay a price. Insofar as infrastructure is concerned, the Government certainly has to play an enabler role, that is, kick starting the development of the relevant industry but no government can foot such subsidies on a long-term basis. We can see that there are many highly advanced sewage treatment plants in the Mainland that have

entailed enormous investments but failed to meet the high operating costs in operation. Therefore, we must carefully consider the circumstances under which benefits can be reaped from operation in a market economy. The relevant work is also an undertaking for the public and we wish to discharge our responsibilities for the environment. Waste is a very good example and we can see from the recent incidents that there is an unimaginably large amount of waste in Hong Kong because people dispose of used articles at will. If people must be held responsible for waste, it can be an incentive for people to reduce the use of such articles or think of recovery. In many aspects, this technological development must rely on the environmental protection industry. I hope the Government can look squarely at two obstacles that are relatively difficult to overcome. Since Hong Kong has little land and is densely populated, the transportation and storage costs of waste make operation difficult for the industry. Therefore, we must consider how these obstacles can be removed to facilitate the development of the industry. Concerning the opinions just expressed by Dr LAW, I will not only implement separation of dry and wet wastes. Actually, the policy address has stated that it is part of the whole waste management scheme. Why do we have to conduct this pilot scheme. Although the bins of three different colours have achieved pretty good results, they are very costly. It is because the Government has to employ additional workers to transport such waste, which are resources subsidized by the Government. The Government has implemented waste recovery for two years with quite satisfactory result, for the recovery rate has increased by 3%. Even though the ratio seems very low, this is the result of our great efforts and concentration on the recovery of waste of value. To step up recovery, we must take many other measures. At present, we have no alternative but to use the existing transportation system, that is, the existing waste collection vehicles and refuse transfer stations to separate dry waste from wet and recover from dry waste more useful materials.

I know Mr Tommy CHEUNG is very concerned about sewage treatment. According to the "polluter pays" principle, we will review the sewage surcharge. I wish to say that we cannot handle every incident perfectly, but we will try our best to be fair. We hope to begin a review on the catering industry. At present, around 75% of the industry operators pay approximately \$1,000 in sewage surcharge a month. The Drainage Services Department has made an analysis and found that the Government has to bear special expenses when it conducts drainage work in particularly greasy parts of the urban areas. We can perhaps further discuss the "polluter pays" principle from different starting points.

Lastly, I have to discuss the water quality management scheme. All of us are very concerned about potable water and several Members have mentioned the shortage of water resources. I fully agree that we must make more efforts in this regard. There will not be an endless supply of clean water because urban development pollutes the water resources and it will be very costly to treat sewage. Recently, the Government has conducted a trial scheme in Ang Ping because sewage treatment there has already reached level three and the water can be used again if more efforts are made. Thus, the water prices we set are not just a start, and we only need to reuse treated water without wastage.

We can start testing desalination along with technological advancement because the costs of desalination have dropped substantially. I mentioned prices in my last speech in this Council, so I do not wish to repeat the points now. Nevertheless, the Government will certainly consider the cost-effectiveness of this method.

We have tried the use of renewable energy resources in many aspects, especially public works projects. A Member mentioned earlier the participation of schools in this and we are considering whether some demonstrative small-scale projects can be carried out. We may try them out if they are cost-effective. We wish to consider the development of renewable energy resources when we conduct an interim review on the Scheme of Control Agreements of the two power companies, and we will keep fighting as far as possible.

I am very grateful to Members for expressing a lot of valuable views. I sincerely hope that we can co-operate in the future, draw on collective wisdom and reach a consensus to create an environment for the sustainable development of the environment, transport and public works in Hong Kong.

Thank you, Madam President.

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese):
Madam President, I wish to highlight the major policy objectives and strategies of the Housing, Planning and Lands Bureau for the coming five years, as well as to respond to the Honourable Members' views and suggestions.

Last November, I made a statement on the Government's housing policy to help rationalize the various housing targets and strategies, and clarify the role

and positioning of the Government. I also announced a series of measures to help restore public confidence in the property market. As to how the property market would react to these measures, this would depend very much on the public confidence and external economic factors. After the current supply and demand imbalance has been rectified, the property market will continue to develop healthily. Our current task is to implement quickly the series of measures set out in the Statement on Housing Policy.

Premised on the principle of maintaining a fair and stable operating environment, the Government will withdraw from its role as property developer by halting the production and sale of subsidized flats and minimizing its intervention in the private property sector. In the next five years, we will concentrate our efforts on the following three major tasks:

- (a) maintaining supply of public rental housing (PRH) for needy applicants to meet the average waiting time of three years. We will monitor closely the demand for PRH through a rolling housing development programme that will be adjusted annually;
- (b) continuing to provide assistance to families with special needs (including the elderly and hardship households), by providing well-equipped Housing for Senior Citizens and rental assistance to those families who encounter economic hardship; and
- (c) adopting a more flexible mode of housing subsidies and reviewing the mechanism for the determination of domestic rents for PRH, pending the outcome of the current judicial review of the Housing Authority (HA)'s decision to defer review of rents.

Looking forward at the next five years, we will implement our public housing policy under the strict principle of ensuring the effective use of our valuable housing resources. Now I wish to respond to a few points and suggestions made by Honourable Members.

First, rent allowance. One of our immediate tasks is to consider how we can provide housing assistance more flexibly. With a full range of facilities and a low rental level, PRH flats have been well received by the public. However, individual families may have different preferences in terms of living habits, district of residence, environment and facilities, and some may wish to opt for private rental housing. Against this background, the HA launched a pilot Rent

Allowance for the Elderly Scheme in August 2001, under which senior citizens eligible for PRH may opt to receive allowance for renting a flat in the private sector of their own choice.

Rent allowance is a relatively new concept in Hong Kong. Drawing reference from the Rent Allowance for the Elderly Scheme, we are now considering, with an open mind, the possibility of allowing non-elderly families which are eligible for PRH to opt for rent allowance. The quota of rent allowance may be revised as appropriate in response to demand, by utilizing resources in the private property market. The implementation of the proposed General Rent Allowance Scheme needs to be compatible with the overall public housing policy. As such, we will consider comprehensively and carefully and discuss with the HA details of the scheme.

Second, retail and car parking facilities. Discussions between the Government and the HA on a new set of financial arrangements are underway. The HA will also conduct a detailed assessment of its financial position and future funding means, including studying the divestment options for its retail and car parking facilities for developing an implementation plan. The HA currently owns more than 130 commercial premises covering over 1 million sq m of retail area. It also owns more than 100 000 car parking spaces. Last year, the HA discussed possible ways to further privatize its commercial premises and car parking facilities to provide better and more effective services to its residents, and to optimize the commercial value of the facilities. The Housing Department has subsequently commissioned a consultancy for a preliminary study. Due to the rather complex nature of the issue, a more detailed examination is necessary before we can discuss it further with the HA.

The effective implementation of our housing policy would have to go hand in hand with comprehensive planning and lands policies. I wish to highlight our major tasks here.

Insofar as land supply is concerned, the Government would ensure a sufficient supply of land together with the necessary supporting infrastructure to meet market demand. In order to achieve this, we would put in place a comprehensive monitoring mechanism and an early warning system to ensure the timely provision of land for residential development. Furthermore, we would include various types of land in the Application List as appropriate to ensure that changing market needs are satisfied.

The small house policy involves a number of matters of principle and complex, interwoven issues. As such, I consider it necessary to review the subject in a comprehensive manner and identify suitable options for resolving the long-standing problems associated with the policy. I will consult various stakeholders along the way and try to reach some tentative conclusions for further study and consultation.

The Urban Renewal Authority (URA) has been playing a pivotal role in carrying out a comprehensive urban renewal programme to address the problem of urban decay. However, redevelopment alone cannot catch up with the pace of urban decay. In addition, not all old buildings have to be pulled down; many may be renovated and restored. The URA is now mapping out its rehabilitation strategy to provide appropriate support to owners in older urban areas.

One of my major tasks in the next few years is to promote building management and to encourage property owners to accord importance to building maintenance and safety. We will consider how to encourage property owners to provide regular maintenance to their buildings. We will also initiate discussions with the concerned professional bodies, with a view to fostering the development of more comprehensive one-stop services in building management and maintenance for building owners.

Moreover, we plan to introduce the Buildings (Amendment) Bill (the Bill) into the Legislative Council in the current Legislative Session, to improve the regulatory regime of buildings and to strengthen statutory requirements on building safety. The Bill involves a number of proposals, including the introduction of a new category of "minor works" to enable qualified building professionals and contractors to undertake specified minor works. Such works include, for example, the erection and removal of signboards and the removal of unauthorized building works.

In the days ahead, we will formulate a long-term, forward-looking development strategy for Hong Kong. The Planning Department has commenced a study entitled "Hong Kong 2030 — Planning Vision and Strategy" with a view to formulating development strategies in respect of our land use, transport and environmental needs, to guide the territory's long-term development. Under the new circumstances, there will be room for us to apply the planning standards flexibly, to reassess the development density of the new development areas and to provide adequate supporting infrastructure in response

to the public's aspirations for better quality of living. During each and every stage of the Study, we will widely consult the public.

Against the background of Hong Kong's economic restructuring, the Government has always been concerned about how to make better use of vacant industrial premises and industrial land, and how to improve the environment and associated facilities in old industrial areas. The restructuring of industrial buildings must be market-driven. In the course of the restructuring, the Government plays the role of a facilitator, helps simplify the procedures and enhances the flexibility for the use of industrial land. The restructuring of industrial buildings is an evolving process. We will continue to monitor market needs and reactions, listen to the views of the industry and make adjustments to our policy where appropriate. We will examine the feasibility of the payment of premium by instalment for a change in land use.

In conclusion, mindful of the latest developments in Hong Kong, my major task ahead will be to ensure that valuable housing and lands resources are put to flexible and effective use. I will work together with the relevant public and private parties to achieve a synergy of operation in order to enhance efficiency and optimization in the use of resources and expertise. Lastly, I wish to emphasize that as one of the principal officials under the accountability system, I will continue to enhance communication with Legislative Council Members in order to foster mutual trust and co-operation, which is essential to ensuring the successful implementation of the various policies under my charge.

Thank you, Madam President.

SUSPENSION OF MEETING

PRESIDENT (in Cantonese): The fourth debate session ends. It is now 10.25 pm and I find it not suitable to begin the fifth debate session at this stage.

I now suspend the meeting until 2.30 pm tomorrow.

Suspended accordingly at twenty-five minutes past Ten o'clock.